

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 86/2

2526 SJ SB 497 - SB 504 .

2524

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COMMITTEE REPORT

SENATE

FURTHER:

4/21/4

Date 4/21/4

Mr. President

The Committee on TORTUARY considered SS 637

creating a private cause of action relating to public home warranties, and transferring enforcement of vehicle warranties

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation

Fiscal Note
Analysis

January 8, 1984

This bill creates a private cause of action relating to mobile home warranties, and transfers responsibility for enforcement of mobile home warranties from the Department of Commerce and Economic Development to the Department of Law. A 1983 legislative audit report recommended transfer of the enforcement process to the Department of Law. The transfer of the existing mobile home warranty enforcement position, including funding, from the Department of Commerce and Economic Development to the Department of Law, is included in the adjusted base of the two department's FY 85 budget proposals. Consequently, enactment of this bill will not require additional funding nor will it cause a fiscal impact.

SB497

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 1984

The Honorable Jalmar Kerttula
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Kerttula:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to mobile home warranties. This bill increases government efficiency in enforcement of mobile home warranties, and encourages private consumer self-help.

The bill has two main components: (1) the creation of a private cause of action in a mobile home buyer against the manufacturer's bond, which AS 45.30.015 requires be posted with the state; and (2) a transfer of warranty enforcement authority from the Department of Commerce and Economic Development (DCED) to the Department of Law.

With regard to the first of the components, it is the understanding of both DCED and the Department of Law that, when the mobile home warranty statute, AS 45.30.011, took effect in 1980, a private buyer injured by a manufacturer who sold a defective home to a buyer in this state would be allowed to make a claim against the bond under AS 45.-30.040. However, that statute only provided a procedure for the consumer to petition the state to take administrative action against the bond. Experience in the last few years has shown that a buyer may believe that he or she has a valid claim against the bond in a case in which the state enforcing authority does not agree that administrative action is warranted. Providing a clear, private cause of action against the bond may relieve a burden on the government by reducing the number of administrative hearings, and insure that an individual can choose to enforce his or her own rights, whether or not a state agency agrees with the individual.

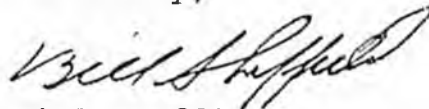
The second component of the bill is a transfer of the warranty enforcement powers from DCED to the Department of Law. The April 1983 legislative audit of the division of measurement standards, DCED, studied this issue and recommended

The Department of Commerce and Economic Development should seek legislation to transfer the mobile home warranty enforcement program to the Consumer Protection Section of the Department of Law.

Both departments have agreed that this is a more efficient enforcement pattern, as the Department of Law, consumer protection section, already processes mobile home complaints that fall outside the warranty Act, as well as those that may duplicate warranty Act enforcement by DCED. In FY 84, DCED transferred the one mobile home investigator position to the Department of Law through a reimbursable services agreement.

The bill promotes government efficiency by encouraging private self-help, rather than reliance on government. I feel that it will have the support of both industry and consumers. I urge your affirmative action on this measure.

Sincerely,



Bill Sheffield
Governor

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: Jan. 9, 1984

(Revised for 1984 Session)

REQUEST

Bill/Resolution No.: _____

Title: "An Act relating to... mobile home warranties..."

Sponsor: Sen. Rules/Governor

Requestor: Off. of Gov. - OMB

Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Law

Program Category Affected: _____

Public Protection

BRU, Program or Subprogram(s) Affected: _____

Consumer Protection

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

N/A

ANALYSIS: Attach a separate page for analysis

Prepared By: Richard I. Pequeo, Director
Division: Administrative Services Division

Phone: 465-3672

Date: 1-9-84

Approved by Commissioner: Norman G. Gorsuch
Agency: Department of Law

Date: 1-9-84

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

12/1/83

Dept of Law

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

70-2

Revision Date: _____

REQUEST
Bill/Resolution No.: _____
Title: _____
Sponsor: Rules Committee
Requestor: Governor
Date of Request: _____

FISCAL DETAIL Department of Commerce and
Agency Affected: Economic Development
Program Category Affected: Consumer Protection
Measurement Standards
BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
400 SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
800 MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Joseph L. Swanson Phone: 345-7750
Division: Measurement Standards Date: January 9, 1984

Approved by Commissioner: Richard A. Lyon Date: 1/20/84
Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Dept of Commerce 12/1/83

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COMMITTEE REPORT
SENATE

FURTHER:

Date _____

Mr. President

The Committee on _____ considered _____

and (a majority of the committee) (the committee) reports it back with the following recommendations:

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- new title
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- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation

Revision Date: _____

REQUEST

Bill/Resolution No.: SB499
Title: An Act relating to motor vehicle laws.

Sponsor: _____
Requestor: _____
Date of Request: _____

FISCAL DETAIL

Agency Affected: Public Safety
Program Category Affected: Life and Property Protection
BRU, Program or Subprogram(s) Affected: Division of Motor Vehicles

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<u>OPERATING</u>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<u>TOTAL OPERATING</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>CAPITAL</u>						
<u>REVENUE</u>						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<u>TOTAL</u>						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Bill Brown Phone: 465-4336
Division: Motor Vehicles Date: 12-14-83
Approved by Commissioner: [Signature] Date: 12/23/83
Agency: Public Safety

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

Fiscal Note



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

sh499

February 13, 1984

The Honorable Jalmar Kerttula
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Kerttula:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which makes many badly needed amendments to the motor vehicle laws contained in Title 28. These amendments address a variety of issues. The bill alters existing statutes to more accurately reflect the current practices of the division of motor vehicles (DMV) in the Department of Public Safety, to allow DMV to adopt more efficient procedures and to address some inadvertent omissions in current law.

Section 1 of the bill amends AS 28.05.091 to make it clear that a peace officer may impound a motor vehicle if the vehicle identification number has been altered or removed. Law enforcement officers often must impound such vehicles in order to investigate whether the vehicle has been stolen, but the language of the current impoundment statute does not clearly authorize a seizure of this sort. Under the proposed language, the owner of an impounded vehicle would not be required to pay any costs associated with impound or storage of the vehicle. As under current AS 28.05.131, the owner of an impounded vehicle would also be entitled to request a hearing to contest the impoundment.

Section 2 of the bill amends a general provision regarding DMV administrative hearings to make it clear that a hearing officer may take appropriate action against a person's vehicle title or registration as well as against the person's driver's license. This amendment would bring the language of AS 28.05.141(c) into conformity with AS 28.05.131(a), with current administrative practices, and with common sense interpretation.

Governor's Letter 2/13/84

Section 3 of the bill amends AS 28.05.141(d) regarding a motorist's right to appeal from an administrative hearing officer's decision. The new language allows a motorist to appeal such a decision to the district court, and specifies the scope of appellate review. Existing law allows a hearing de novo -- a complete new hearing on the same issues which were decided at the administrative hearing. This makes the entire administrative hearing process superfluous in many cases. A motorist dissatisfied with a hearing officer's decision will commonly request a de novo hearing in district court, and DMV personnel and their witnesses are forced to present the entire case over again. This is not an efficient use of either administrative or court resources. The new language is based upon the provisions adopted by the legislature in 1983 regarding the appeal rights granted to a person whose driver's license has been administratively revoked because he drove while intoxicated or refused to take a breath test. See AS 28.15.166(m) and (n).

The amendment contained in sec. 4 of the bill clarifies AS 28.10.051(1) which authorizes DMV to suspend or revoke a motor vehicle certificate of registration which was fraudulently obtained. Unless an emergency requires immediate action, a motorist has a right to request a hearing under AS 28.05.131 before DMV suspends or revokes a registration certificate.

For the convenience of vehicle owners, current AS 28.10.-105(f) allows an owner to register a vehicle for a portion of a year so that annual registration fees for all vehicles owned by that person will be due at the same time under the state's staggered registration system. This privilege has been abused by some owners who have repeatedly registered and paid fees on a vehicle for only part of a year, rather than for the entire year. AS 28.10.105 was never intended to allow a vehicle to be routinely registered for a period less than a year. The amendment to the statute contained in sec. 5 of the bill states that an owner may exercise this partial-year payment option only once per motor vehicle.

The changes made in secs. 6 and 7 of the bill correct an ambiguity in current law. AS 28.10.411 establishes a state motor vehicle registration fee. AS 28.10.431 authorizes municipalities to levy a motor vehicle registration tax, which may be collected by DMV on behalf of the municipality at the same time that state registration fees are collected. Present AS 28.10.411(c) exempts a resident 65 years of age or older from payment of "tax under this section" for one motor vehicle. This language does not

make sense, as AS 28.10.411 levies a fee. A tax is authorized under AS 28.10.431. The new language makes it clear that a resident aged 65 years or older, on the date the tax is due, is exempt from payment of both the registration fee and the tax. This is in accord with DMV's present interpretation of the existing language. The amendment specifies that the exemption applies to one personal vehicle but not to commercial vehicles. This implements the original intent of the provision, which was to excuse senior citizens from paying the costs of registering one personal vehicle, rather than to benefit commercial businesses.

Sections 3, 13, and 15 of this bill provide that a person's "ability to apply for a license" can be suspended or revoked under the same conditions and in the same way that a person's driver's license can be suspended or revoked under existing law. In the case of Francis v. Municipality of Anchorage, 641 P.2d 226 (Alaska App. 1982), the Alaska Court of Appeals held that a person who had never applied for a driver's license could not be charged with the misdemeanor crime of driving while license suspended (DWLS) for driving after DMV had suspended his "privilege to drive" following an accident for which he failed to establish financial responsibility. The court held that since the defendant had never had a license, there was nothing for DMV to suspend, and the most that the defendant could be charged with was driving without a valid license.

Driving without a valid license in violation of AS 28.15.-011 carries a maximum penalty of 90 days in jail, a \$500 fine, or both. See AS 28.35.230(a) and (b). In contrast, DWLS carries a maximum penalty of one year in jail, a \$5,000 fine, or both. See AS 28.15.291(d). Additionally, a conviction for driving without a valid license does not require the mandatory minimum sentences which must be imposed following a conviction for DWLS. See AS 28.15.-291(a) and (c).

In a very real sense, persons such as defendant Francis are more blatant violators of the motor vehicle laws than the "average" DWLS offender. Not only did Francis drive after receiving a suspension notice from DMV, he drove (and was involved in an accident) without ever obtaining a license in the first place. Such blatant disregard of the licensing laws should not be rewarded with lesser criminal penalties. The amendments included in this bill will make offenders like Francis subject to the general laws against DWLS and the more serious penalties.

Under current law, a person under age 18 may not apply for a driving instruction permit or a motorcycle driver's permit unless a parent or guardian signs the application and agrees to assume responsibility for any negligence or willful misconduct of the minor. In the case of a minor who is married, however, a parent may either not be available, or may be unwilling to assume this responsibility. The language contained in secs. 9, 10, and 11 allow a spouse 18 years of age or older to sign the necessary application forms and assume this responsibility on behalf of the minor.

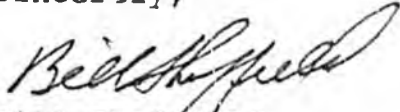
AS 28.15.171 presently provides that DMV may suspend or revoke a nonresident's privilege to drive in this state in the same manner and for the same reasons that an Alaska driver's license may be suspended or revoked. Section 12 of the bill amends AS 28.15.171 to clarify that a court also has this authority, and allows the court or DMV to place a limitation on the privilege to drive.

Section 14 of the bill specifically authorizes DMV to use first class mail to notify a driver that he is half-way to losing his license because of the accumulation of points resulting from convictions for traffic law violations. These notices are currently being sent by first class mail in accordance with 13 AAC 08.220(c). To conform with the requirements of AS 28.05.121, this amendment is needed to clearly establish DMV's ability to use first class mail for these notices.

The amendment contained in sec. 16 of the bill is needed to clarify AS 28.35.032(a) which establishes the crime of refusal to take a breath test. The new language provides that a person's license may be revoked if he was "arrested for operating or driving a motor vehicle for which a driver's license is required." The current law contains the language "arrested while operating" Obviously, a DWI offender would never be arrested while he was driving because the arrest always occurs after his vehicle is stopped.

Adoption of all the amendments to AS 28 included in this bill will clear up some imprecise language contained in the current law, and will enable DMV to more efficiently administer the state's motor vehicle laws. I therefore urge your prompt action on this bill.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield
Governor

DEPARTMENT OF LAW

CRIMINAL DIVISION

March 13, 1984

BILL SHEFFIELD, GOVERNOR

REPLY TO

 OFFICE OF THE CHIEF PROSECUTOR
 POUCH KC
 JUNEAU, ALASKA 99811
 PHONE (907) 465-3428

 OFFICE OF SPECIAL PROSECUTIONS
 AND APPEALS
 1031 WEST 4TH AVENUE SUITE 318
 ANCHORAGE, ALASKA 99501-5993
 PHONE (907) 279-7424

The Honorable Bill Ray
 Chairman, Senate Judiciary Committee
 Alaska State Senate
 Pouch V
 Juneau, Alaska 99811

Re: Amendment to SB 499, An Act Relating
 to Motor Vehicle Laws

Dear Senator Ray:

As you may recall, the Senate H.E.S.S. Committee considered SB 499 (An Act Relating to Motor Vehicle Laws) at a hearing on March 8, 1984. At that hearing, you indicated that when the bill was referred to Senate Judiciary Committee you would favor an amendment to the language in section 3 of the bill to allow a de novo hearing to be held in district court if a D.M.V. administrative hearing officer's decision was reversed by the court on appeal.

To accomplish this, I have drafted a new proposed subsection (e) for AS 28.05.141. I would suggest that the current version of SB 499 be amended by adding a new section 4, to read:

Sec. 4. AS 28.05.141 is amended by adding a new subsection to read:

(e) If, upon appeal, the court reverses the department's determination, the court may, in its discretion

(1) return the case to the department for a new hearing before the same or another hearing officer, or

(2) conduct a hearing de novo in district court.

If this new section 4 is added, the other sections of the bill should be renumbered as sections 5 through 17.

March 13, 1984

Please contact me if you have any questions about the draft language above, or if I can be of any further assistance on this bill.

Very truly yours,

NORMAN C. GORSUCH
ATTORNEY GENERAL

DANIEL W. HICKEY
CHIEF PROSECUTOR

By: 

Gayle A. Horetski
Assistant Attorney General

GAH/gb-12

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

020

Revision Date: _____

REQUEST
Bill/Resolution No.: SB499
Title: An Act relating to motor vehicle laws.
Sponsor: _____
Requestor: _____
Date of Request: _____

FISCAL DETAIL
Agency Affected: Public Safety
Program Category Affected: Life and Property Protection
BRU, Program or Subprogram(s) Affected: Division of Motor Vehicles

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Bill Brown Phone: 465-4335
 Division: Motor Vehicles Date: 12-14-83
 Approved by Commissioner: [Signature] Date: 12/28/83
 Agency: Public Safety

- Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

12/1/83

Fiscal Note

TO: Senator Bill Ray

FROM: Paula d. Scavera

DATE: March 26, 1984

RE: SB 499

This bill makes amendments to the motor vehicle laws contained in Title 28. These amendments address a variety of issues.

SECTION 1

Adds language so that a peace officer may impound a motor vehicle if the vehicle identification number has been altered or removed.

SECTION 2

Amends a general provision regarding DMV administrative hearings to make it clear that a hearing officer may take appropriate action against a person's vehicle title or registration as well as against a person's drivers license.

SECTION 3

Adds language regarding a motorist's right to appeal from an administrative hearing officer's decision. The new language allows a motorist to appeal such a decision to the district court, and specifies the scope of appellate review.

SECTION 4

Clarifies that section in the law which authorizes DMV to suspend or revoke a motor vehicle certificate of registration which was fraudulently obtained.

SECTION 5

Amends language so owner may exercise an partial-year payment option only once per motor vehicle for their registration.

SECTIONS 6 & 7

Correct an ambiguity in existing language of "tax" and "fee" in regards to exemptions for residents 65 years and older. The new language makes it clear that a resident aged 65 years or older, on the date the tax is due, is exempt from payment of both the registration fee and tax for one personal vehicle.

SECTION 8

Provide that a person's "ability to apply for a license" can be suspended or revoked under the same conditions and in the same way that a person's drivers license can be suspended or revoked under existing law.

SECTIONS 9, 10, & 11

Allow a spouse 18 years or older to sign the necessary application forms and assume this responsibility on behalf of the minor.

SECTION 12

Clarifies that a court has the authority to suspend, revoke, or limit a nonresident's privilege to drive in this state in the same manner and for the same reasons that an Alaskan driver's license maybe suspended, revoked, or limited.

SECTION 13

Provide that a person's "ability to apply for a license" can be suspended or revoked under the same conditions and in the same way that a person's drivers license can be suspended or revoked under existing law.

SECTION 14

This language specifically authorizes DMV to use first class mail to notify a driver that he is half-way to losing his license because of accumulation of points resulting from convictions.

SECTION 15

Provide that a person's "ability to apply for a license" can be suspended or revoked under the same conditions and in the same way that a person's drivers license can be suspended or revoked under existing law.

SECTION 16

Clarifies the language which establishes the crime of refusal to take a breath test.

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COMMITTEE REPORT
SENATE

FURTHER:

Date _____

Mr. President

The Committee on _____ considered _____

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

SENATE RESOURCES COMMITTEE
LETTER OF INTENT
FOR
CSSB 503 (Resources)

It is the intent of the Legislature that the Department of Environmental Conservation obtain from the United States Environmental Protection Agency authorization to administer and enforce a hazardous waste program in Alaska. The Department should focus its efforts so that the state's final application for full management control be complete by July 1, 1986.

To this end and with respect to the mandate to be codified at AS 46.03.299 (a)(2), the Department is instructed to adopt regulations relating to the management of hazardous waste that exhibit the characteristics of toxicity, persistence, or carcinogenicity and other characteristics of hazardous waste as identified by EPA. The department shall evaluate the most appropriate mechanism by which to identify a waste characteristic of toxicity, persistence or carcinogenicity and other characteristic as identified as hazardous by EPA. This evaluation must include the methods described in the proposed state regulations dated October 26, 1983 that identify hazardous wastes by the characteristics mentioned above. Regulations developed under AS 46.299(a)(2) must incorporate the results of this analysis.

The regulations ultimately adopted by the state are to take effect three years from this bill's enactment, July 1, 1987. The department is to develop and implement a program to educate those effected by this legislation about the requirements of this act during the third year.

In order to gain experience managing a hazardous waste program, the department should assume through cooperative agreement with EPA as much active control as feasible of the currently operating hazardous waste program. The assumption of these duties by the department should begin immediately.

The exemptions for mining waste and waste associated with oil and gas production as defined should be effective until the completion of the studies indicated in the legislation. After each study has been completed and the findings of these studies and proposed federal regulations have been considered by the department, the department may terminate the exemption or promulgate amendments to the state's hazardous waste regulations.

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

OFFICE OF THE COMMISSIONER
POUCH O, JUNEAU, ALASKA 99811

Telephone (907)
Address.

465-2500

April 25, 1984

The Honorable Bettye Fahrenkamp
Senator
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Fahrenkamp:

I believe that some confusion may arise about the intent of the April 16, 1984, work draft of CSSB 503(Res). In Section 1 of the bill, Sec. 46.03.99(a) says, basically, that the Department of Environmental Conservation (DEC) shall (1) adopt RCRA regulations by reference; and (2) not later than July 1, 1986, adopt other regulations.

Mr. Stan Hungerford reported to me, that the work group Mr. Palmer chaired on April 9, 1984, discussed this issue thoroughly, and concluded that DEC should increase its hazardous waste staffing during FY 85 and under a cooperative agreement with the Environmental Protection Agency (EPA), operate as much of the full range of RCRA activities in Alaska as possible. He has confirmed that this is, in fact, the intent of the proposed bill in subsequent conversations with Mr. Palmer and Mr. Steve Kadish of Senator Vic Fischer's office.

It is possible to construe the language of this section to require DEC to first seek and obtain EPA's authorization of a state RCRA program, and then revise its regulations and seek a second authorization of a program based on the potential risks of wastes exhibiting the additional characteristics of carcinogenicity, toxicity and persistence.

Since the work group expressed the need for DEC to increase its staff and gain experience enforcing the evolving federal program during the next two years, I suggest the following change to Section 1 of the proposed bill:

"Sec. 46.03.99 REGULATION OF HAZARDOUS WASTE. a) Not later than July 1, 1986, the department shall in accordance with the Administrative Procedure Act (AS 44.62), adopt regulations which take effect on July 1, 1987, for the identification and management of hazardous waste
1) as defined by the Environmental Protection Agency and
2) wastes which exhibit the characteristics of toxicity, persistence, or carcinogenicity."

April 25, 1984

This wording would assure that the agency not be diverted from the ultimate objective of preparing and submitting a final application for EPA's approval by July 1987, which incorporates the comprehensive hazardous waste program proposed in the October 26, 1983, draft regulations.

It has also been pointed out to me that proposed definition of "associated wastes" is a bit confusing. I suggest that, based on the wording agreed to by Mr. Tom Brooks (AOGA) and Mr. Hungerford, the definitions be revised to read:

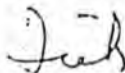
"(37) "waste associated with the exploration, development, or production of crude oil, natural gas, or geothermal energy" means

- (a) waste, including drilling muds, cuttings, hydrocarbons, brine, acid, sand, and emulsions or mixtures of fluids produced from and unique to the operation or maintenance of a well, whether naturally occurring or added for the operation or productivity of the well;
- (b) waste that is derived intrinsically from primary field operations; and
- (c) does not include spent solvents and oils from equipment maintenance activities, discarded chemical products or fuels.

(38) "waste derived intrinsically from primary field operations" means waste produced from a well, and removed

- (a) at the drill site; or
- (b) at crude oil production facilities by crude oil or wastewater treatment processes before custody transfer of the crude oil."

Sincerely,



Richard A. Love
Commissioner

RAN/SH/ne

cc: Jim Palmer
Steve Kadish

TESTIMONY OF CHRIS NOAH
DEPUTY COMMISSIONER OF THE
DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Before the Senate Resources Committee
Alaska State Legislature
Regarding: CS for SB 503

April 17, 1984

Madam Chairman, other members of the committee, my name is Chris Noah, Deputy Commissioner of the Department of Environmental Conservation. I am here to testify on the committee substitute for Senate Bill 503, entitled: "An act relating to hazardous waste; changing penalties for environmental pollution violations; and providing for an effective date."

I am here primarily to endorse this bill and urge its passage in its present form. The bill is the result of negotiations and compromise on the part of various organizations and persons concerned with the manner by which waste is classified as hazardous and managed in this state. It also incorporates the essential statutory changes contained in SB 498 which had been introduced by the Governor. The changes contained in SB 498 were based on the determination by the United States Environmental Protection Agency that certain statutory changes were necessary before the state could obtain final authorization from EPA to carry out its responsibilities under the Resource Conservation and Recovery Act of 1976. With regard to these statutory changes, we have been advised by the Attorney General's Office that the present bill (CS for SB 503) does indeed include the changes required by EPA. Specifically, these are the changes to both the criminal and civil penalties contained in Sections 5, 6 and 7 of the present bill.

It is the other parts of the bill which were the subject of discussion and compromise by various persons and organizations. In particular, it is the result of an agreement reached at an informal meeting on Monday, April 9, 1984. This administration participated in these discussions and is in accord with the agreement which is now before you in the form of this bill. The bill is one which I believe all parties can live with. Further, and most importantly, it is one which will result in a hazardous waste management program which is both effective and reasonable. However, I should state and point out that the new duties which the bill would impose on the department cannot be fulfilled without adequate funding. It is my hope, therefore, that the agency operating budget and companion appropriation to this bill will also be approved by the legislature.

Thank you for this opportunity.

CN/DD/af

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

OFFICE OF THE COMMISSIONER
POUCH O, JUNEAU, ALASKA 99811

Telephone: (907)

Address:

465-2600

April 17, 1984

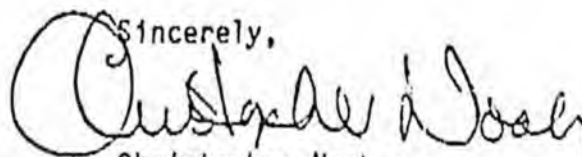
Mr. Jim Palmer
Legislative Aide to
Senator Bettye Fahrenkamp
Pouch V
Juneau, AK 99811

Dear Mr. Palmer:

Enclosed, please find our April 13 revision to the fiscal note for CSSB 503 originally submitted April 12 to your office at your request. Please note we have decreased the note by one staff person and reduced the estimated support costs to what we consider a bare minimum. In addition, we have deleted the major capital item, related to performing environmental, social and economic evaluations necessary to justify a hazardous waste management facility and obtain public support for a specific site.

A portion of the capital funds request will be used to establish criteria for evaluating the impacts of a hazardous waste management facility and making preliminary determinations of the types and potential locations of one or more facilities. I understand that Senator Fahrenkamp will support the addition of funds in the FY 86 and 87 budgets necessary to complete the analyses of two to five specific sites, estimated to range from 0.5 to 2 million dollars per potential site.

Sincerely,



Christopher Noah
Deputy Commissioner

CN/SWH/ne

enclosures

cc: Steve Kaddish
Billie Trent

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: April 13, 1984

REQUEST

Bill/Resolution No.: CSSB 503
Title: Hazardous Waste...

Sponsor: Senate Resources
Requestor: Sen. Fahrenkamp & Fischer
Date of Request: April 12, 1984

FISCAL DETAIL

Agency Affected: Environmental Conservation
Program Category Affected: NRMEC

BRU, Program or Subprogram(s) Affected:
Environmental Quality Management
Air & Solid Waste Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING		0-months				
100 PERSONAL SERVICES		65.9	131.7	131.7		
200 TRAVEL		16.0	16.0	16.0		
300 CONTRACTUAL		8.4	16.8	16.8		
400 SUPPLIES		2.0	4.0	4.0		
500 EQUIPMENT		13.0	3.2	3.2		
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		105.9	171.7	171.7		
CAPITAL		480.0	--	--		
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		505.9	171.7	171.7		
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		3.0	3.0	3.0		
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Stanley W. Hungerford
Division: Environmental Quality

Phone: 465-2666
Date: April 13, 1984

Approved by Commissioner: [Signature]
Agency: Environmental Conservation

Date: _____

Deputy Commissioner

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

- d) An aggressive program of technical assistance to the small quantity generator to assure conformance to RCRA (Applicable Federal Hazardous Waste regulations)
- e) A comprehensive public information campaign each year to maximize legal collection and disposal of hazardous wastes.
- f) Analysis of the types, quantities and sources of hazardous wastes to provide information for the state hazardous waste facility siting project.
- g) Site for the collection activity and security will be provided by local government.

Staffing needs:

1 Environmental Engineer III (Range 19) 10.0 plus support costs

C. Details of the estimated support costs for four positions.

Travel Costs:	<u>1st year</u>	<u>2nd & 3rd years</u>
Moving costs -- of the 2 Environmental Engineer IIIs: the department has found that the specialized expertise required cannot be found in Alaska.	12.0	--
Travel in support of project work (technical assistance and public information)	3.0	12.0
Travel to meet with contractors, local governments, public meetings	1.0	4.0
<u>Contractual Costs:</u>		
Office costs (5.6 per person -- telephone, xerox, janitor)	8.4	16.8
<u>Supplies:</u>		
Replace expendable laboratory, safety materials	--	2.0
Office	2.0	2.0
<u>Equipment:</u>		
Office equipment (desks, chairs, word processor)	5.1	--
Safety equipment and replacements	8.5	3.2

ANALYSIS of FISCAL NOTE
CSSB 503 AMENDED
April 13, 1984

- A. Details of the costs for recommending the site and type of state owned/sponsored hazardous waste management facility.

Assumptions:

- a) The project will take six to seven years to complete through contracts managed by the Department of Environmental Conservation.
- b) In the first year, develop the specific details of siting criteria, the appropriate types of facilities to be evaluated based on industries regulated and types of waste, and five or more general areas for evaluation.

In the second and third years, identify five potential sites, the type(s) of facility to be located at each, and begin physical evaluations of the sites. (75.0 each year)

- c) In the next three to four years, conduct detailed evaluations of the five sites, including such parameters as meteorology, geology, hydrology, access, and socioeconomic factors. The cost could range from 500.0 to 2 million per site - an average of 1.25 million is estimated to justify each site to the public. Excess funds would be reserved for the design of the facility after approval of the site by the governor and legislature. (To be included in a fiscal note in 1986 audit cycle.)
- d) In the sixth/seventh year conduct the public review of at least two sites. (50.0)
- e) Prepare recommendation for the governor and legislature.
- f) No inflation of costs or salaries.

Staffing Needs:

1	Environmental Engineer	(Range 19)	50.0 plus support costs
1	Administrative Assistant	(Range 12)	31.7 plus support costs

- B. Details of the costs for a collection and transportation service for disposal of hazardous wastes from small quantity generators and households.

Assumptions:

- a) The project will be for at least three and one half years.
- b) There will be "cleanups" in four or more cities per year. (85.0 per year)
- c) No inflation of transportation or disposal costs.

MEMORANDUM

State of Alaska

DEPARTMENT OF ENVIRONMENTAL QUALITY

TO: Nancy Lord
Legislative Aid to
Senator Vic Fischer

DATE: May 4, 1984

FILE NO:

TELEPHONE NO: 465-2666

FROM: Stanley W. Hungerford
Supervisor
Air & Solid Waste Section

SUBJECT:

As you requested, the following is a more detailed description of the contractual activities necessary during FY 85 and FY 86 to accomplish this intent of proposed Sec. 46.03.313 of CSSB 503 up to the point of actually determining the environmental impacts and public acceptance of proposed sites as required by Sec. 46.03.313(d) of one or more sites and making the recommendation required by Sec. 46.03.314. The activities listed will not necessarily each require separate contracts or contractors.

- Project 1. Inventory the types, amounts and location of hazardous waste generated in Alaska as regulated by proposed state regulations. \$10,000

- Project 2. Determine the type(s) and capacity(ies) of hazardous waste management facilities needed to provide an economic means for managing wastes including transportation, storage, chemical treatment, recycling and disposal facilities with particular emphasis on encouraging alternatives to land disposal. \$35,000

- Project 3. Develop regulations required by AS 46.03.313(b)(2) interpreting and clarifying siting criteria and establishing the public process for determining approvability of a site. \$45,000

- Project 4. Determine five or more areas which are suitable for the types of facilities proposed in project 2. \$50,000

- Project 5. Based on the criteria developed in project 1, determine the suitability of three or more specific sites for facilities. \$75,000

Project 6. Identify alternative models of industrial and governmental financing for the proposed facilities and incentives/inducements to encourage community acceptance of a facility.

\$10,000

\$225,000

SWH/ne

cc: Chris Noah
Keith Kelton
Jim Palmer
Paula Scavera
Billie Trent
David DiTraglia
Denise Olmstead

CSSB 503 - An Act Relating to Hazardous Waste

Section Analysis

Section 1. Regulation of Hazardous Waste.

(a) This section directs the DEC to adopt regulations for the management of hazardous waste. These regulations must meet minimum EPA requirements as well as regulate those hazardous wastes that are toxic, persistent, or carcinogenic. The federal program ignores the carcinogenic and toxic effects of a waste on human health and the environment. Regulations should be developed no later than July 1, 1986 and effective on July 1, 1987.

(b) Mining waste, oil and gas production wastes are temporarily excluded in this section until federal studies on these wastes have been completed. The DEC will consider the report results in the development of regulations for these wastes.

(c) This part simply instructs the state to take actions necessary to receive EPA authorization for the hazardous waste program.

(d) The quantities of waste to be regulated are described here.

(e) This section requires the Department to conduct an education program about the regulations for those affected.

Section 2. Transportation of Hazardous Waste.

Before a hazardous waste is transported, a manifest which includes information about the type of material, disposal site, and handling procedures, must be sent to DEC. DEC then sends a copy of the manifest to local and state public safety agencies.

Section Analysis Continued

Section 3. Temporary Collection of Hazardous Waste.

This section institutionalizes in statute a very successful pilot program currently offered by DEC, known as "Hazardous Waste Clean-ups".

Temporary collection and transfer operations will be held for small quantity and household generators of hazardous waste four times a year.

Section 4. Hazardous Waste Management Facilities and Sites.

This section outlines the criteria and public comment procedures DEC should use to determine hazardous waste management sites and facilities in Alaska. Recommendations to the Governor and Legislature should be submitted not later than July 1, 1987. Final sites and facilities should be determined two years later.

Section 5 - 8. Penalties for Violations.

These sections include the technical amendments needed to satisfy federal requirements to obtain final authorization of the hazardous waste program.

Section 9. Definitions.

This section defines certain terms found in the legislation.

CSSB 503 - An Act Relating to Hazardous Waste

A Brief History.

In 1981, legislation (SB 29) was passed that directed the state to seek EPA authorization to administer and enforce a hazardous waste program in Alaska. The program would otherwise be managed by EPA.

Over two years later at the end of 1983, with the proposed regulations and other aspects of the authorization package nearly completed, it became apparent that the penalty sections of the current Alaska statute would have to be amended to meet EPA specifications.

Two bills SB 498 - Rules by Request of the Governor and SB 503 Resources were introduced at the beginning of the session to meet this obligation. The Governor's legislation provided the amendments to the penalty sections only, and as such was an endorsement of the hazardous waste regulation developed by the Department of Environmental Conservation. In its proposed regulations, DEC was attempting to develop a hazardous waste management program that made sense for Alaska and did not simply mimic the federal approach. SB 503 also included similar language regarding changes to the penalty codes, but limited the development of the state hazardous waste program to be the same as the federal program.

These two bills represented divergent and contradictory approaches. All interested agreed that the state should take over the management of the hazardous waste program. However, there was disagreement as to how this should be accomplished.

CSSB 503 Hazardous Waste Legislation, History

In addition, two other bills relating to hazardous waste were introduced at the start of this session. These are SB 450 - Vic Fischer regarding the disposal of hazardous waste, and SB 486 - Josephson providing the public the right to know about the storage and disposal of hazardous materials and wastes.

All four items were referred to Senate Resources Committee, which combined them into one mega-workdraft in the form of a committee substitute for SB 503. The workdraft was sent to over 30 groups and individuals to seek their comments including business, labor, environmental, health, resource development, government, and civic interests. After this review was complete, the Resources Committee then convened a meeting on April 9, 1984 of these same interested parties to hammer out compromise legislation.

After a full day of intense negotiation, agreement was reached by all the work group participants. Alaska Oil and Gas Association, Associated General Contractors, environmentalists, Alaska District Council of Laborers, Municipality of Anchorage, and various legislative and state government offices were represented. The result is the committee substitute for SB 503 before this committee.

S

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COMMITTEE REPORT
SENATE

FURTHER:

Date 2/28/88

Mr. President

The Committee on EDUCATION considered CS 308

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for CS 308
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation

TO: Senator Bill Ray

FROM: Paula d. Scavera

DATE: March 8, 1984

RE: SB 504 -An act relating to the unauthorized use of computer and telecommunications services

This bill is from the Criminal Division of the Department of Law. It adds new types of "stealing" to the criminal code. The first is unauthorized access to computers and theft of telecommunications services (i.e. cable tv).

There seems to be a misconception about this bill that it will outlaw "home earth stations". According to Gail Horetski there are only two situations when home earth dishes will be against the law. The first will be if you live in a community where a cable company provides all channels that are available with a home earth station (137 or so). The second is when someone uses a home earth station for a commercial use. Maybe this should be clarified a little better in the bill.

There seems to be a problem in Anchorage with people making receivers for their roofs just to receive "Visions".

SECTION 1

Includes unauthorized use of computer time, a computer system, a computer network or any part of a computer system or network within the definition of theft in the Criminal Code.

SECTION 2

Clarifies the law on theft of telecommunication services within the definition of theft in the Criminal Code

SECTION 3

Adds language within the definition of criminal mischief the person who sells or offers to sell a device that is designed to allow the user to defraud the providers of commercial telecommunication services.

SECTION 4

Includes unauthorized access of computer time, a computer system, computer network, or any part of a computer system or network within the definition of criminal mischief.

SECTIONS 5,6,7

Definitions of access, computer, computer network, computer system, and services

There are some drafting changes that Legal Services would like to do before bill passes out of our committee.



SOCIETY FOR PRIVATE AND COMMERCIAL EARTH STATIONS

1920 N STREET, 11W
SUITE 510
WASHINGTON, DC 20036

(202) 887-0805

March 9, 1984

Ms. Paula Scavera
Researcher
Senate Judiciary Committee
Alaskan State Senate
Pouch V
Juneau, AK 99811

Re: Opposition to that part of
Senate Bill No. 504
which concerns Home Earth Stations

Dear Ms. Scavera:

In follow up to your telephone conversation with Fred Finn earlier this week, we are enclosing information outlining the purpose and objectives of the Society for Private and Commercial Earth Stations (SPACE), the national trade association representing manufacturers, distributors, dealers and users of consumer earth station reception equipment. On behalf of our membership and the 400,000 home owners who own home earth stations, we strongly oppose that part of Senate Bill 504 which is directed against home earth stations. If passed in present form it will harm the citizens of Alaska, particularly in rural areas.

Background - Development of Home Earth Station Industry

Since the Federal Communications Commission first authorized the use of geostationary communications satellites to transmit domestic television programming in 1972, a series of technical developments, coupled with increasing governmental deregulation and marketplace competition has made it possible for individual consumers to acquire, at reasonable cost, earth station equipment capable of reception of most television programming transmitted by communication satellites. These developments, together with the growth in, and increasing variety of, programming services available via satellite, have fostered the expansion of the consumer earth station market. Since 1980 consumers, particularly consumers in rural or remote areas unserved or underserved by broadcast or cable television services, have been able to purchase satellite equipment to receive a wide variety of programming not otherwise available. Industry estimates are that, as of the end of 1983, there were 380,000 consumer-owned earth stations in place in the United States. That number is expected to approach one million within a year. The current rate of sales is between 25,000 and 30,000 units monthly. At the present time, more than fifty program services, offering a wide variety of entertainment, news, sports, cultural, educational and religious programming, are available via satellite. Many of these services, including C-Span, which provides daily

Ms. Paula Scavera
March 9, 1984
Page Two

live coverage of proceedings of the U.S. House of Representatives, as well as a dozen religious and family programming services, recognize and welcome direct consumer reception and viewing of their programming by home earth stations.

The Bill Harms Alaskans, Particularly in Rural Areas

The citizens of Alaska are uniquely situated to derive substantial benefits from this new technology. The vast expanse and rugged terrain of Alaska's geography makes it economically and technologically unfeasible to provide through traditional means diverse telecommunications services to many Alaskans. Satellite technology makes it possible to transmit communications to areas long considered inaccessible to broadcast and cable services. Alaska, perhaps more than any state in the union, should be squarely behind the home satellite industry and the benefits it brings to remote areas.

Problems with Senate Bill No. 504

Senate Bill No. 504, as presently drafted, apparently immunizes earth station owners from criminal liability for theft of services only if they use their equipment to receive signals "not available . . . through the payment of a lawful fee to a commercial provider" By limiting the scope of this affirmative defense, the legislation will enable "commercial providers" — primarily cable television systems -- to acquire the unassailable power to control the dissemination of all programming services they deem to make "available" through their distribution systems. In addition to creating unnecessary and unjustified monopolies, the legislation seeks to preserve or protect "rights" that do not exist by restricting or eliminating rights and prerogatives that do.

Traditional cable television systems have been major distributors of satellite-delivered programming. They are the only distributors, however. Many program suppliers are aiming at new and expanding markets, including the direct home market, broader than those provided by traditional cable systems. Their purposes would be frustrated if dissemination of their programming is legislatively subjected to the exclusive control of "commercial providers."

Three examples illustrate major problems we see:

** C-SPAN, which is transmitted on Satcom F3 transponder 19, welcomes viewing of its signal by private satellite dish owners. Immediately adjacent to this signal is the signal of Cinemax. If a local "commercial provider" such as a cable television system chooses to make Cinemax "available" to its subscribers, a home earth station owner who watches C-SPAN and merely changes channels could be subject to criminal liability and not entitled to the affirmative defense.

** Worse than that, however, if the "commercial provider" decided to make C-SPAN "available", the earth station owner could be subject to criminal liability merely by watching his elected representative over C-SPAN on his home earth station.

** Criminal liability could also result if the home earth station owner contracted with one of the financial networks to receive up-to-the-minute stock or commodity prices

Ms. Paula Scavera
March 9, 1984
Page Three

paid all required fees and continued to view the service after his local cable system decided to make the service "available."

These problems point up some fundamental misunderstandings reflected in the bill's provisions. Cable television systems, in general, do not have exclusive licenses to distribute satellite-delivered programming. Control over the distribution of satellite-delivered programming rests with the distributors themselves. The proposed legislation would create "exclusive licenses" where they have not been given and create "rights" that do not exist to prevent "thefts" and "infringements" that have not occurred.

In achieving these questionable ends for questionable purposes, the legislation's greatest effect will be to hamstring the development of satellite technology which was developed at taxpayers' expense in a state uniquely situated to benefit from its growth.

The Legislation Interferes with Legitimate Uses and Is Overbroad

Use of earth station reception equipment per se violates no existing federal or state law and infringes no recognized right. Since 1979, the Federal Communications Commission has authorized home earth stations to be operated without obtaining a license. It has encouraged marketplace development of the service. It is undisputed that these stations have legitimate uses — i.e., the authorized reception of satellite-delivered signals. The proposed legislation would discourage and prevent the mere ownership of earth stations solely on the ground that such stations could be used to obtain signals "available" from cable television systems. This would place an unreasonable and unacceptable restraint upon interstate commerce:

"Selling a staple article of commerce, e.g., a typewriter, a recorder, a camera, a photocopying machine, technically contributes to any infringing use subsequently made thereof, but this kind of "contribution" if deemed sufficient as a basis for liability, would expand the theory beyond precedent and arguably beyond judicial management.

"Commerce would indeed be hampered if manufacturers of staple items were held liable as contributory infringers whenever they 'constructively' knew that some purchasers on some occasions might use their product for a purpose which a court later deemed, as a matter of first impression, to be an infringement."

Sony Corporation of America, et al. v. Universal City Studios, Inc., et al., ___ U.S. ___, 78 L.Ed 2d 574, 52 U.S.L.W. 4090, at 4092 (quoting district court opinion, 480 F.Supp. 429,

Ms. Paula Scavera
March 9, 1984
Page Four

at 461 (C.D.Cal., 1979)). Finally, by attempting to place restrictions on the development of satellite communications, we believe the proposed legislation infringes on federal rights and F.C.C. preemption of local actions interfering with the development of interstate satellite communications. See Earth Satellite Communications, Inc., FCC 83-526 FCC2d (1983).

The Compensation Issue

The earth station industry does not wish a free ride. On numerous occasions both publicly and privately SPACE, on behalf of the satellite earth station industry, has offered to sit down and work out a compensation mechanism for those satellite services which depend for their existence on payment of a fee. SPACE has made this offer before both the U.S. House and Senate on two separate occasions. Enclosed is testimony on these matters. To date SPACE's offers have been ignored or rejected by the major satellite subscription services. The reason for this rejection is, in our opinion and that of the Arizona Attorney General who successfully sued on this issue, that the major cable companies have placed pressure on major satellite services not to deal with competitors to franchised cable. In fact the major cable companies sometimes are the major satellite services. HBO and Cinemax are owned by Time, Inc., which owns American Television and Communications, the nation's largest cable TV company. Showtime and The Movie Channel are owned by Warner Amex and Viacom, both major cable television companies. Cable operators are attempting to extend their monopoly by attempting to thwart the development of competitive forces. We urge that the state of Alaska not assist them in these efforts through this legislation.

The Legislation is Unnecessary and Counterproductive

Those services which are concerned about unauthorized satellite reception are planning to prevent it by scrambling their signal. HBO sister company of Cinemax has indicated it intends to scramble. Existing case law prevents the unauthorized marketing or use of descramblers. The owners of copyrights may also sue for a violation of those rights. More legislation is not necessary to protect these rights.

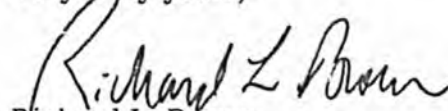
HBO has indicated that at the time it scrambles, it may market the service to home satellite owners. If the bill is passed in present form, it will harm development of the home satellite industry making it more difficult for HBO and other services to implement their plans.

We strongly urge that you delete all existing references to home earth stations in your legislation. In addition, we urge that your legislation be amended to provide that nothing contained in it may be deemed to make unlawful the manufacture, sale or use of satellite earth stations.

Ms. Paula Scavera
March 9, 1984
Page Five

In the event that a hearing is scheduled on this Bill SPACE requests the opportunity to speak at that hearing.

Very truly yours,

A handwritten signature in cursive script that reads "Richard L. Brown". The signature is written in dark ink and is positioned above the printed name.

Richard L. Brown
Vice President and General Counsel



Backgroundnder

States Information Center
 The Council of State Governments
 Iron Works Pike
 P.O. Box 11910
 Lexington, KY 40578
 (606) 252-2291

Date: January, 1984
Topic: WHITE COLLAR CRIME
Infokey: Crime and Criminals

COMPUTER CHALLENGE TURNS TO COMPUTER CRIME

TAP, TAP, TAP... the password has been broken... access is clear. On the screen before him, the "414" member (a club of high school computer hackers in Milwaukee) has access to over 60 business and government computer systems in the United States and Canada, including computers at Los Alamos National Laboratory, Security Pacific National Bank in Los Angeles and New York's Memorial Sloan-Kettering Cancer Center.¹

Although this sounds unbelievable, like a TV show plot, it really happened, and the chances are it will be repeated. Computer systems throughout the world are being penetrated either accidentally or intentionally and revealing information such as industrial trade secrets, defense data and worldwide credit statements. Along with the computer age has come computer crime. As one security systems expert explained: "The computer represents a new modus operandi for committing fraud."²

The Problem

As a larger portion of our society becomes more sophisticated in using computers, and less expensive, computers are rapidly becoming commonplace. This could lead to "an escalation of business crime brought about by the increasing use of computers where valuable information assets are concentrated in a fragile form."³

The increase in crime is not the only problem, however. Millions and millions of dollars are being pilfered by slick computer intruders. Estimates of loss range from \$20 to \$100 million dollars each year,⁴ with some figures as high as \$1 billion.⁵ In addition, computer criminals are stealing hundreds of hours of computer time. The costs are high.

*This CSG Backgroundnder was compiled by Deborah C. Tillett, Information Analyst, States Information Center.

Note: *Backgroundnder* information is the latest available at the time of publication, but for updates, you should contact the appropriate state or federal agency directly. This material does not represent the position of The Council of State Governments. Information is included based on relevance to the topic. Some material, as noted, is copyrighted and may not be reproduced further without permission of the original publisher. Contact the States Information Center or the writer at CSG.

A major potential problem is that the criminal justice system is largely uninformed concerning the technical aspects of computerization and bound by traditional legal machinery which in many cases may be ineffective against unconventional criminal operations.⁶ Furthermore, some of the legislation on computer related crime is inadequate to prosecute individuals committing such crimes. The courts, for example, often will not allow computer generated evidence to be introduced in a trial considering it hearsay evidence.⁷

Definition

What is computer crime? First, computer crime is considered "white collar" crime. However, it goes beyond taking office pens or using the company telephone for personal use. It entails the theft of services or information and it is serious. Secondly, it could be described as the technological advancement of such conventional crimes as theft, burglary or embezzlement. Funds that once were manually pilfered from a company through alterations of the books can now be systematically and quickly transferred by computer into a fake account. Finally it may entail what can be called electronic vandalism as computer hackers invade and destroy computer files, often for the thrill of it.

Because of the seriousness of the problem, many states have approached the issue of computer crime through legislative proposals which enact specific computer crime statutes. In fact many of the definitions offered for the term "computer crime" are derived from these legislative efforts. The definitions vary from state to state and include: California's statute which makes it a crime "to intentionally access ... any computer system or computer network for the purpose of devising or executing any scheme or artifice...⁸," or Florida's law which makes it a felony to commit offenses against "intellectual property", against computer equipment or supplies, or against computer users.⁹

State Legislation

At least 21 states have enacted computer crime legislation:

Alaska	Illinois	North Carolina
Arizona	Massachusetts	Ohio
California	Michigan	Rhode Island
Colorado	Minnesota	Tennessee
Delaware	Missouri	Utah
Florida	Montana	Virginia
Georgia	New Mexico	Wisconsin ¹⁰

Usually these bills are modeled after the Draft Computer Crime Act which makes it a criminal offense to modify or destroy "data, computer programs, or supporting documentation ... or equipment or supplies that are used or intended to be used in a computer, computer system, or computer network." The model act also makes it a crime when one "denies or causes the denial of computer system services to an authorized user ... or in conjunction with another who commits an offense against computer users."¹¹

Federal Legislation

Although no federal computer crime legislation has been enacted, there is an effort underway in both the House and Senate to pass such a law. One bill (HR 1092 sponsored by Representative Bill Nelson, Florida, along with a companion bill S 1733, Senator Paul Trible, Jr., Virginia) would create the Federal Computer Systems Act. The law would "make it a federal crime to take something for value from a computer or to danger information."¹²

Types of Criminals

Computer criminals range from the high school hacker who breaks into the system for the fun of it to the trusted employee who has access to the system. It is reported that the loyal, trusted employees are the most likely to commit computer crimes because of their knowledge and skill of computers and their close proximity to the system.¹³ However, recent news reports indicate that the teenage hacker is becoming quite sophisticated and commonplace as a computer criminal.

There are, of course, other types of persons who represent the make-up of the "systems sneak." One computer security expert has identified at least seven categories of criminals, including the professional con artist who now has programming training to expand his realm of criminal activity.¹⁴ Such as the culprit who embezzled \$21 million from a Wells Fargo Bank.¹⁵

Others in the computer security business accept the notion that the "criminogenic environment" is an important factor in identifying and preventing crime.¹⁶ In order to combat computer crime one must first understand this environment. More specifically, one expert, Jay BloomBecker, founder and director of the National Center for Computer Crime, defines seven views of the computer system around which computer criminals can be cataloged. These range from the "playpen environment" in which the criminal views the computer as a game to the more sophisticated "tool box" arena which allows the professional theft to use the system as a means to an end.¹⁷

Prevention of Computer Crime

Enacting legislation to combat computer crime is one way to deter information systems pilfering; however, both the private and public sector can take steps to provide improved computer security:

- (1) Assign a manager to be responsible for computer security in an organization.
- (2) Issue written policies about security.
- (3) Institute regular unannounced data processing audits.
- (4) Analyze and implement data security controls, such as password codes.¹⁸

Conclusion

Computer crime is fast becoming a problem due to the increased usage of computers. The costs are high. Hackers, disgruntled employees and professional thieves are misappropriating computer time and information. These individuals, regardless of the motive, are committing a crime.

State legislation which defines the scope and commission of computer crime is one step in deterrence. More importantly, this legislation gives the legal community a confinement of the crime and a framework from which to make judicial decisions.

NOTES

1. "Beware: Hackers at Play". Newsweek. September 5, 1983. Page 42.
2. "Who Gets the Blame for Computer Crime?" Wendy McKibbin. InfoSystems. July 1983. Page 35.
3. Ibid. Page 35.
4. "Electronic Fraud, The Crime of the Future". Police Chief. June. 1983. Page 50.
5. "What Can be Done to Stem Rising Electronic Crime?". The Office. November. 1983. Page 47.
6. Computer Crime-Legislative Resource Manual. Bureau of Justice Statistics. U.S. Department of Justice. 1981. Page iii.
7. 1981 Suggested State Legislation. Council of State Governments. Page 41.
8. Computer Crime. Page 5.
9. Ibid.
10. "Compilation of State and Federal Privacy Laws". 1981. Privacy Journal. Pages 1-2. "1982-83 Supplement, Compilation of State and Federal Privacy Laws". Page 5. Barbara Flaherty. GTE Telenet. Vienna, Virginia. December 16, 1983.
11. 1981 Suggested State Legislation. Pages 43-45.
12. National Journal. January 14, 1984. Page 53.
13. Infosystems. Page 35.
14. Ibid.

15. Police Chief. Page 50.
16. Ibid. Page 36.
17. Ibid. Pages 35-36.
18. "White Collar Crime, The Enemy Within. Computer World. December 26, 1983/January 2, 1984. Page 53.

Price -- \$3.50

From the Dept.
of Law
Criminal Division

SUGGESTED CHANGES TO "CABLE TV" PORTION OF SB 504
(Changes from current version of SB 504 are highlighted)

Delete current section 2, and substitute:

* Sec. 2. AS 11.46.200 is amended by adding a new subsection to read:

(c) A person may not be prosecuted under this section for theft of cable, microwave, subscription, or pay television or other telecommunications service if the service was intercepted through the use of a device designed and used to intercept electromagnetic signals directly from a satellite, including the device commonly referred to as a "home earth station".

Change section 3 to read:

* Sec. 3. AS 11.46.482(a) is amended by adding a new paragraph to read:

(5) that person sells, leases, trades, or offers for sale, lease, or trade, any device designed to intercept cable, microwave subscription, or pay television or other telecommunications service, including devices designed to descramble scrambled signals, with intent to allow a user to avoid the payment of a lawful fee for the service.

Scramble the channel!

Allan P. Gregg
P.O. Box 1358
Petersburg, Alaska 99833

February 24, 1984

Senator Robert Ziegler
Pouch V
Juneau, Alaska 99811

Dear Senator Ziegler,

I would like to address the section of Senate Bill 504 that refers to the rights of individuals to own or sell "home earth stations". Relating unauthorized use of computer services and receiving TV signals from a satellite can only be done through ignorance of the entire concept of telecommunication systems.

There is no argument that theft of computer services or theft of pay cable TV should be addressed by State law, but to call the private use of any home earth stations "theft" is a negligent reference to something that has been legal since the time of Marconi. Federal courts have already determined that personal use of information transmitted via satellite is legal.

In the largest and most rural of all the 50 states, passing a law that would remove freedoms enjoyed by citizens of the other 49 states would be an extreme injustice to people who live for the freedoms of life in Alaska. This bill has quite obviously been custom drawn for the sole benefit of owners and operators of commercial cable television. It guarantees the financial success of even the slipshod cable TV operator and removes a basic freedom of choice from the individual consumer. It is startling to think that a commercial interest law so poorly disguised would even be considered.

The cost of a home TVRO (TV receive only) system still exceeds \$3000 and the thought that persons currently being served by good quality cable television are going to pay that much to have a 12 foot dish in their front yard is ridiculous. Only those who are asked to pay exorbitant fees for inferior service or those in remote areas will be inclined to resort to the expense of a home TVRO system. The basic laws of economics will protect the cable TV companies that provide adequate service.

Although there is no fiscal note attached to this bill, should this law be enacted, enforcement would prove awkward and costly.

I urge you to push for removal of this section from SB 504. I will make myself available for testimony on the subject of home TVRO systems whenever needed.

Sincerely,


Allan P. Gregg

cc. Senator Eliason
Senator Ray ✓

From the
Dept of Law
Criminal Division

SUGGESTED CHANGES IN "COMPUTER CRIMES" PORTION OF SB 504
(Changes from current version of SB 504 are highlighted)

- * Sec. 5. AS 11.46.484 is amended by adding a new subsection to read:
 - (d) As used in this section, "access" means to instruct, communicate with, store data in, retrieve data from, or otherwise obtain the ability to use the resources of a computer, computer system, computer network, or any part of a computer system or network.
- * Sec. 6. AS 11.46.990 is amended by adding new paragraphs to read:
 - (8) "computer" means an electronic device that performs logical, arithmetic, and memory functions by the manipulation of electronic, optical, or magnetic impulses, and includes all input, output, processing, storage, computer software, and communication facilities that are connected or related to a computer;
 - (9) "computer network" means an interconnection, including by microwave or other means of electronic or optical communication, of two or more computer systems, or between computers and remote terminals;
 - (10) "computer system" means a set of related computer equipment, devices and software;
 - (11) "data" includes a representation of information, knowledge, facts, concepts, or instructions, that is being prepared or has been prepared in a formalized manner and is used or intended for use in a computer, computer system, or computer network.



Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 99811

TO: Senator Josephson
FROM: Rex L. Butler (RLB)
DATE: March 22, 1984

RE: Unconstitutionality of SB 504

Senate Bill 504, in my opinion, attempts to regulate in an area preempted by Federal Law through rules and regulations promulgated by the Federal Communications Commission (FCC).

In a recent Memorandum Opinion, Earth Satellite Communication, Inc., FCC 83-526 FCC 2d (1983), adopted November 8, 1983, and released November 17, 1983, the Federal Communications Commission made clear its preemption intent and the viability of that authority.

The case involved the proposed regulation of a cable television franchise by the State of New Jersey which required it to obtain a permit before it could legally operate. The cable television franchise argued preemption of federal law and also argued that state law regulation was limited to matters concerning public safety, zoning or health. The Commission stated in its opinion:

For example, we do not wish to preclude a state or locality from exercising jurisdiction over certain elements of a SMATV operation that properly may fall within its authority, such as zoning or public safety and health, provided the regulation in question is not undertaken as a pretext for the actual purpose of frustrating achievement of the preeminent federal objective and so long as the nonfederal regulation is applied in a nondiscriminatory manner. Local authority over such concerns must be exercised so that a local jurisdiction in fact does not inhibit or interfere with the delivery of interstate signals through the exercise of its authority. Certain countervailing state interest may be legitimate but would interfere impermissibly with the federal interest in establishing and maintaining interstate satellite program delivery.

Our ruling herein applies to those aspects of a state or local regulatory process that, while otherwise legitimate, are inextricably connected with the delivery of interstate signals and the development of receiving points so that those signals may be transmitted to subscribers among the public. (Page 10, section 21) (emphasis added)

Senate Bill 504 attempts to regulate the receipt of cable signals which may be deemed illegal because the person receiving the signal has not paid the subscription rate or is not on the scription list of the cable franchise dealer, or because he may pirate a signal. However, there is a thin line of demarcation as it regards the regulatory process and its chilling effect on First Amendment Freedoms to receive information. The Supreme Court of the United States has stated in Sony Corporation of America, et. al., v. Universal City Studios, Inc., et. al., ___ U.S. ___, 78 L. Ed 2d 574, 52 U.S.L.W. 4090, at 4092 (quoting district court opinion, 480 F. Supp. 429, at 461 (C.D. Cal., 1979); (January 17, 1984):

Moreover, the court found that the purpose of this use served the public interest in increasing access to television programming, an interest that is "consistent with the First Amendment policy of providing the fullest possible access to information through the public airwaves". (citation omitted)

While the Commission's decision dealt primarily with the issue of broadcast of cable programming, the Commission answered the question of whether the preemption extends also to receipt of the broadcast when it stated:

The ultimate dividing line, as we see it, rests on the distinction between reasonable regulations regarding use of the streets and rights-of-way and regulation of the operational aspects of cable communications. The former is clearly within the jurisdiction of the states and their political subdivisions. The latter, to the degree exercised, is within the jurisdiction of this Commission. This is so because of the interstate nature of the medium as enunciated by the Supreme Court. (Page 12, section 22) (footnote omitted) (emphasis added)

This Commission decision, the most recent on the subject and the United States Supreme Court decision make it

clear that federal law has preemption over state and local law as it regards "operational aspects" of cable communications.

Accordingly, any reference to or attempts to regulate the use, sale, purchase, trade or lease of such equipment is unconstitutional and I would recommend the deletion of section 2, section 3; definition number 9 of section 6; and cable, microwave, telecommunications service, computer network and network from the definition under 51 within section 7 of Senate Bill 504.

As this Commission decision makes clear, the "crucial factor is the 'effect' rather than the purpose of the state law" in determining whether such an obstacle has developed. Any criminality associated with Earth Stations and receivers of microwaves or attendant receivers is unconstitutional in several respects.

First, it does infringe on the right to receive information which is a violation of the First Amendment to the Federal Constitution and also violates Article One, Section Four of the Alaska Constitution's right to Freedom of Speech. Such regulation acts to infringe upon such free speech, a recognized policy of the Federal Constitution.

Secondly, it tends to interfere with interstate commerce as it regards the sale of those goods which are attendant with the cable communications industry and regulation of receipt of airwaves. Along those same lines it tends to infringe into the area of federal control and preemption by attempting to regulate where the Federal Communications Commission has explicitly stated it intends to preempt the field to the exclusion of state and local laws. The test for preemption as set out in the Commission's opinion calls for the state to look to the range, scope and quality of the federal legislation. The Commission states:

Absent explicit preemptive language, a court may infer Congress' or an agency's intent to supercede state law because "(t)he scheme of federal regulation may be so pervasive as to make reasonable the inference that Congress left no room for the states to supplement it," because "the Act of Congress may touch a field in which the federal interest is so dominant that the federal system will be assumed to preclude enforcement of state laws on the same subject," or because "the object sought to be obtained by federal law and the character of obligations

imposed by it may reveal the same purpose." (citation omitted) Even when Congress (or any agency) has not completely displaced state regulation in a specific area, state law may be nullified to the extent that it actually conflicts with federal law. Such a conflict arises when "compliance with both federal and state regulations is a physical impossibility," (citation omitted), or when state law "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress", (Page 6, section 14) (citation omitted).

In the situation at bar, the preemption is clear and regulation designed to infringe on the use of Home Earth Stations and other receivers is clearly left to the FCC. This is clear in the following language from the Commission when it stated:

47 U.S.C. section 301 et seq., governs the FCC's authority over radio communications. Congress has instructed the FCC to "encourage the larger and more effective use of radio in the public interest". 47 U.S.C. Sections 303 (g); see National Broadcasting Co. v. United States, 319 U.S. 190, 219, 63 S. Ct. 997, 1010, 87 L. ed. 1344 (1943), and to maintain federal control "over all the channels of interstate and foreign radio transmission." 47 U.S.C. Sections 301. To carry out its mandate, Congress empowered the FCC to "make such rules and regulations and prescribe such restrictions and conditions, not inconsistent with law, as may be necessary to carry out the provisions of this chapter ..." 47 U.S.C. Sections 303 (r). (Page 7, section 15)

This Commission decision went on to define the scope of their cloak of authority by saying:

The statutory definitions of "communications by wire" and "communications by radio" include "all instrumentalities, facilities, apparatus, and services (among other things, the receipt, forwarding, and delivery of communications) incidental to such transmission(s)." 47 U.S.C. Sections 153 (a) (b). (page 7, section 15, note 11) (emphasis added)

It appears very clear to me that SB 504, in its present state, would fall to a constitutional attack either directed at its infringement on the First Amendment of the Federal

Constitution or Article 1, Section 4 of the Alaska Constitution, or predicated on the fact that it infringes into an area preempted by federal law or purely on grounds that it attempts to criminalize that which the federal law defines as legal, or because it interferes with interstate commerce, said interference is dual in character and finally it must fail because of the Supremacy clause of the Federal Constitution.

Unless the legislation is narrowly tailored to criminalize descramblers only, the question of the constitutionality of this legislation will continue to exist.

CONCLUSION

In essence, SB 504 is unconstitutional because it will forbid that which federal law allows in an area preempted by the federal agency (FCC) jurisdiction.

Futhermore, SB 504 will interfere with Interstate Commerce which is also a violation of the Federal Constitution and other federal laws.

Moreover, it will infringe and prevent the exercise of free speech guaranteed by the Federal and Alaska Constitutions.

Finally, it cannot exceed the federal regulations because of the Supremacy Clause of the Federal Constitution. SB 504 must be narrowly tailored to criminalize descramblers only.



Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 99811

TO: Senator Josephson
FROM: Rex L. Butler *RLB*
DATE: March 23, 1984

RE: SB 504

I have just spoken with Gregory Christopher, an attorney with the Federal Communications Commission (FCC) and he has informed me that the Earth Satellite Communications, Inc., Memorandum Decision is on appeal to the United States Court of Appeals.

However, he did say that current law clearly indicates the preemption authority of the Federal regulations in the area of Cable and Satellite Communications.

I requested his opinion as it regards state regulation of "descramblers" which are used to pirate Cable and Satellite signals and whether states could regulate in this area and he informed me that such regulation would not interfere with the federal scheme and would in fact compliment the federal regulations.

He recommended that if there were further questions regarding the permissible scope of such legislation that we should send him a copy of the bill and request a "Declaratory Decision" from the Commission.

Such a request should be sent to him at:

Federal Communications Commission
Department of Litigation - Appeals
ATTN: Gregory Christopher
1919 M Street
Room 604
Washington, D.C. 20554

Before the
Federal Communications Commission
Washington, D. C. 20554

FCC 83-526

33812

In the Matter of)
)
EARTH SATELLITE COMMUNICATIONS, INC.) CSR-2347
)
Petition for Expedited Special Relief and)
Declaratory Ruling)

MEMORANDUM OF OPINION, DECLARATORY RULING AND ORDER

Adopted: November 8, 1983;

Released: November 17, 1983

By the Commission: Commissioner Rivera absent.

1. The Commission has before it a "Petition for Expedited Special Relief and Declaratory Ruling" filed under Section 76.7 of the Commission's Rules on May 18, 1983, by Earth Satellite Communications, Inc. (ESC). ^{1/} In its petition ESC requests that the Commission preclude the State of New Jersey from exercising jurisdiction under its Cable Television Act over Satellite Master Antenna Television (SMATV) systems. An SMATV system normally serves residents of private multi-unit dwellings. It consists of a receive-only satellite earth station that provides premium programming signals transmitted to the receive station via satellite and a master antenna for the receipt of over-the-air television broadcast signals. These signals are combined and distributed through cable to subscribers residing in the multi-unit dwellings. ESC's filing is based upon an action taken by the New Jersey Superior Court in which the court enjoined ESC from operating its SMATV facility until it obtained a certificate of approval from the State of New Jersey. ^{2/} The court found that ESC's SMATV system came within the definition of a cable television

^{1/} Section 76.7 provides for a 30 day comment period, which was extended by motion until June 27, 1983. Commenting parties are: Direct Satellite Communications, Inc. (DirectSat); Antenna Specialists; ACS Enterprises, Inc.; Telecon Satellite Systems; Birdfinder Corporation; Satellite-TV Services, Ltd.; Eastco; Video East; Unlimited Communications; Wiresat Corporation; Telpar, Inc.; Grand Blanc Cable TV Co.; Suburban Cablevision (Suburban); State of New Jersey, Board of Public Utilities, Office of Cable Television (BPU); Satellite Data; Multi-View Television, Inc.; Orion Cable Systems, Inc.; TeleVista Communications; Satellite Television Corporation; Society for Private and Commercial Earth Stations (SPACE); Dean Scott & Associates, Inc. (Scott); Television Entertainment Network, Inc. (TEN); United Satellite Communications, Inc. (USCI); WWHT Corporation (WWHT) and Wometco Home Theatre, Inc. (WHT); National Satellite Cable Association (NSCA); National Cable Television Association, Inc. (NCTA); and New Jersey Cable Television Association (NJCTA).

^{2/} As will be discussed in paragraph 21, *infra*, the record is not clear as to precisely what petitioner would be required to do to obtain such a certificate.

system under the New Jersey Cable Television Act, and that there has been no clear manifestation by the Congress or the Commission regarding the preemption or regulation of SMATV systems. 3/

2. Petitioner contends that this Commission has already preempted local and state regulation of SMATV systems providing interstate satellite signals, citing Orth-O-Vision, 69 FCC 2d 657 (1978), recon. denied, 82 FCC 2d 178 (1980), aff'd sub nom., New York State Commission on Cable Television v. FCC 669 F.2d 58 (2d Cir. 1982) [hereinafter cited as Orth-O-Vision]. In order to "resolve any ambiguities" based on the Orth-O-Vision holdings, ESC requests that we issue a declaratory ruling holding that the regulation of SMATV systems is preempted by this Commission "to insure the free flow of nationwide interstate satellite signals." ESC contends that the Commission is required, under the Supremacy or Commerce Clauses of the United States Constitution, to preempt state regulation which "unreasonably burden[s] interstate commerce," and cites our authority under the Communications Act to regulate interstate communications. ESC points out that this Commission "explicitly stated" that its authority to license receive-only earth stations was based on their "integral link in interstate radio communication," citing Establishment of Domestic Communication-Satellite Facilities by Nongovernmental Entities, 22 FCC 2d 86, 99, n. 10 (emphasis added by ESC). ESC continues that the key issue in determining the interstate nature of communications is the "type of communications that pass through [a] facility," rather than the physical location of a facility. Petitioner concludes that any state law that prevents or hinders an SMATV system from receiving interstate signals "would clearly contravene Federal law."

3. In the following paragraphs, we first summarize the comments and then discuss the relevant case law and other factors leading to our decision to act in this area.

3/ Section 76.5 of the Commission's Rules defines a cable television system:

(a) Cable television system. A nonbroadcast facility consisting of a set of transmission paths and associated signal generation, reception, and control equipment, under common ownership and control, that distributes or is designed to distribute to subscribers the signals of one or more television broadcast stations, but such term shall not include (1) any such facility that serves fewer than 50 subscribers, or (2) any such facility that serves or will serve only subscribers in one or more multiple unit dwellings under common ownership, control or management.

Subsection (2) excludes SMATV systems serving one or more multiple unit dwellings under common ownership, control or management, which are the subject of this proceeding. SMATV systems which are defined as cable television systems by this Commission are not under scrutiny here. See Cable Dallas, Inc., FCC 83-86, 53 RR 2d 651 (1983).

Comments

4. Although a large number of parties have joined in this dispute, their arguments fit into several basic categories: (1) the applicability of the Orth-O-Vision case to this situation; (2) the views of the parties with respect to federal preemption of state laws and action as they relate to the transmission of interstate signals; and (3) this preemption as it relates to SMATV and this Commission's policy toward cable television regulation at the state and local level. Paragraph 13 is a summary of ESC's reply comment which discusses why ESC believes the Commission's dual regulatory approach in cable should not be followed here.

5. Those filing comments in support of ESC agree with petitioner that the Orth-O-Vision holdings support Commission preemption of local and state regulation of SMATV systems. ^{4/} Supporters of ESC argue that the interstate nature of the delivery system in Orth-O-Vision is indistinguishable from that of an SMATV system and that any barrier to the reception of such a signal by the states is an impermissible contravention of federal law. Opponents of ESC contend that the Commission's decision and the court's affirmation in Orth-O-Vision was narrowly drawn to preempt only those aspects of non-federal regulations which conflict and have the effect of burdening interstate commerce. Opponents contend that the purpose and practical effect of the New York State law was to curtail or eliminate MDS as a competitor in the pay television market, therefore impeding interstate commerce. In contrast, they argue that nothing in the record supports the contention that the State of New Jersey's certification process is intended to or has the effect of inhibiting competition or burdening MATV operators.

6. TEN states that the Supremacy Clause of the Constitution, Article VI, Clause 2, provides the standard for federal preemption, i.e., where a state law "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress," citing Hines v. Davidowitz, 312 U.S. 52 (1941). Citing Perez v. Campbell, 402 U.S. 637 (1970), TEN maintains that the crucial factor is the "effect rather than the purpose of the state law" in determining whether such an obstacle has developed (emphasis in original). TEN states that the effect of the New Jersey registration is to "inhibit the free flow of nationwide interstate satellite signals," by creating the requirement that a prospective SMATV operator must obtain state certification, which, per se, interferes with and limits "full development of [SMATV]."

7. DirectSat sees the Commission's mandate in this matter as set out in Sections 303(g) and 301 of the Communications Act, i.e., to "encourage the larger and more effective use of radio in the public interest," and to maintain federal control "over all the channels of interstate and foreign radio transmission." DirectSat states the "mere threat" that a "state may" determine the circumstances and conditions under which SMATV systems may operate ... is an impermissible intrusion" on the Commission's jurisdiction.

^{4/} In Orth-O-Vision, the United States Court of Appeals for the Second Circuit affirmed the Commission's preemption of an order issued by the New York State Commission on Cable Television which regulated, through a franchising requirement, those Master Antenna Television (MATV) systems delivering Multipoint Distribution System (MDS) signals.

8. Suburban contends, however, that preemption is required only when the Commission is convinced that state and local regulation will impede the development of a new technology as in Orth-O-Vision. NJCTA argues that Congress, in enacting the Communications Act, did not intend to preempt state regulations in a certain area "unless an area of regulation specifically and inherently requires national uniformity," citing Florida Lime and Avocado Growers, Inc. v. Paul, 373 U.S. 132 (1963). Without that need for uniformity, NJCTA states that otherwise valid state statutes must be upheld unless there exists "... such actual conflict between the two schemes of regulation that both cannot stand in the same area, [or if there is found] evidence of a congressional design to preempt the field. Supra at 83 S.C.L." NJCTA contends that such a conflict does not exist with state regulation of SMATV. NJCTA and BPU cite the Commission's Cable Television Report and Order, 36 FCC 2d 143 (1972) for the proposition that the states' interest in basic rates, franchise selection standards, franchise duration, subscriber complaints, and construction supervision should apply to SMATV as well as to franchised cable television systems. NJCTA and NCTA contend that if petitioner's arguments for preemption of SMATV are valid, then the same standard of preemption must apply to a franchised cable television operation. They argue that state and local regulation of the latter should then be limited to the "incidents of occupancy of the public streets and rights-of-way." They conclude that if the state has a legitimate interest in regulating a cable television system beyond the occupancy of the public streets, that interest should also extend to SMATV, also described as private cable, and should not be preempted by this Commission.

9. NSCA contends that the free marketplace does and should continue to operate in the negotiation for SMATV services provided to multi-unit dwellings, be they cooperative, condominium, or rental units. NSCA states that marketplace competition allows SMATV to provide "better, quicker and more economical satellite television services" than would occur with state or local regulation, and describes the negotiation process between condominium or cooperative associations and the SMATV operator as one where the associations have more bargaining power to "regulate" prices and services than if they were served by a franchised cable television company. In the case of rental properties, NSCA contends that a landlord, frequently in consultation with tenants groups, provides SMATV service as an amenity "to attract and retain tenants" and therefore must negotiate for services and rates as do the above associations. Citing Brookhaven Cable TV Inc. v. Kelly, 428 F. Supp. 1216 (N.D. N.Y. 1977), aff'd, 573 F.2d 765 (2d Cir. 1978), cert. denied, 441 U.S. 904 (1978), NSCA argues that SMATV subscribers also have the ability to negotiate for certain services (pay cable) and rates that cannot be regulated by state and local authority.

10. Suburban argues, in opposition, that subscribers will not be afforded the necessary consumer protections by the operation of a free marketplace. Suburban claims that NSCA has instructed its members to negotiate for exclusive contracts with landlords so that franchised cable television operators are precluded from servicing a building or complex. Consequently, Suburban states that SMATV operators will be free to set arbitrarily high prices for their services if the Commission preempts local jurisdiction. BPU states that without local regulation, residents of multi-unit dwellings served by SMATV will have no authority to "insure ... reasonable rates for basic service, resolve service complaints and determine the qualifications of the systems operators."

11. Opponents of ESC point out that SMATV is extremely similar to a franchised cable television system in the services it provides to the subscriber. They argue that the Commission recognized that in addition to cable's use of the public streets and ways, certain matters involving a franchised cable system are "appropriate for local determination," and that these matters, discussed in paragraph eight, *supra*, are equally applicable to SMATV systems. Consequently, they argue that local jurisdictions should be allowed to regulate SMATV systems. Supporters of ESC argue that the critical difference between the two technologies is cable television's use of the public streets and rights of way. Because SMATV operates on private property and does not use such public facilities, Scott argues that the "construction and operation of SMATV systems do not necessitate the regulatory interference of a state or local body."

12. In addition to arguments raised by other parties, the New York State Commission on Cable Television (NYSCCT) argues that SMATV is not a new technology that needs this Commission's protection in order to proliferate. Rather, it maintains that SMATV is a new marketing scheme for the already existing communication technology of cable television. NYSCCT supplies us with a projected economic analysis that predicts dire consequences for the New York City franchises, as well as other urban areas, if we preempt state and local regulation of SMATV. NYSCCT states that SMATV operators can agree to give owners of multi-unit dwellings a percentage of their profits, as opposed to franchised cable operators, who are prohibited by New York state law from doing so. Based in part on this incentive, NYSCCT predicts that the revenue shortfalls to franchised cable, caused by the number of buildings that install SMATV operations, will hinder or prevent the financing, construction, completion and servicing by cable operators of franchised urban areas. Consequently, NYSCCT argues that preemption will be contrary to this Commission's articulated goal of a nationwide broadband communications network. Finally, NYSCCT argues that all interested parties "who did not know or have reason to know" of this proceeding should be given the opportunity to participate, and would have that opportunity in the context of a rulemaking proceeding rather than by means of a declaratory ruling. 5/

13. In its Reply Comments, petitioner emphasizes that the Commission's decision to establish a dual jurisdiction over cable television systems was based on a "policy choice" rather than a "legal requirement," and that in doing so, the Commission did not relinquish "its Congressional mandate to maintain control over the provision of interstate communications services," citing 47 U.S.C. §§151, 301. ESC contends that our decision was based on franchised cable's use of the public arteries, and concludes that the states do not possess the requisite nexus for asserting jurisdiction over SMATV. ESC also contends that as a policy matter, the Commission should allow the free marketplace, rather than local regulation, to dictate the development of SMATV as an alternative to traditional cable.

5/ On September 26, 1983, NYSCCT filed a motion to allow the late filing of comments in this matter. That motion was opposed by ESC, and Satellite Television of New York Associates (STNYA) and Rivebay Corporation, two new parties to this proceeding. Notice of this matter was given by public notice on May 25, 1983, and again on June 7, 1983 when this Commission granted an extension of time in which to file comments to and including June 27, 1983. We do not agree with NYSCCT's argument that it is entitled to direct service of ESC's petition under Section 76.7(b) of the Commission's rules, since it was not a party to the specific controversy which brought ESC to this Commission. In any event, the NYSCCT had actual knowledge of this proceeding long before it filed its late pleading. However, due to the importance of this issue, we believe that the public interest dictates that the Commission consider NYSCCT's comments on an informal basis.

Discussion

14. First, we turn to an analysis of the doctrine of federal preemption and attempt to resolve the threshold issue of whether this Commission has the authority to preempt state or local regulation of SMATV. The Supreme Court recently articulated the test for federal preemption in Fidelity Federal Savings and Loan Association v. De la Cuesta, 102 S. Ct. 3014 (1982). Accord Pacific Gas and Electric Company v. State Energy Resource Conservation and Development Commission, 51 LW 4449 (decided April 20, 1983). Federal agencies may decide to preempt state action in areas over which their authority extends, so long as preemption is not undertaken in an arbitrary or capricious manner. Reviewing courts must look to Congressional (or agency) intent in deciding whether state or local law has been preempted. It is well-established that, within Constitutional limits, state statutes may be expressly preempted. Jones v. Rath Packing Co., 430 U.S. 519, 525 (1977). Absent explicit preemptive language, a court may infer Congress' or an agency's intent to supersede state law because "(t)he scheme of federal regulation may be so pervasive as to make reasonable the inference that Congress left no room for the States to supplement it," because "the Act of Congress may touch a field in which the federal interest is so dominant that the federal system will be assumed to preclude enforcement of state laws on the same subject," or because "the object sought to be obtained by federal law and the character of obligations imposed by it may reveal the same purpose." Rice v. Santa Fe Elevator Corp., 331 U.S. 218, 230 (1947). Even when Congress (or any agency) has not completely displaced state regulation in a specific area, state law may be nullified to the extent that it actually conflicts with federal law. Such a conflict arises when "compliance with both federal and state regulations is a physical impossibility," Florida Lime and Avocado Growers, Inc. v. Paul, supra, at 142-143, or when state law "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress," Hines v. Davidowitz, supra, at 67.

15. We believe that in applying the above test for preemption, the Commission's authority to preempt state or local regulation of the matter here in issue -- premium and broadcast signals delivered by satellite and received in multiple unit dwellings by means of SMATV systems -- is clear. The court of appeals discussion in Orth-O-Vision, supra, at 64-65, regarding the Commission's authority to preempt is instructive:

In 1934 Congress enacted the Communications Act (the "Act") and created the FCC for the purpose of regulating "communication by wire and radio so as to make available . . . to all the people of the United States a rapid, efficient, Nation-wide, and world-wide wire and radio communication service. . . ." 47 U.S.C. §151. Under 47 U.S.C. §152(a), Congress directed the FCC to regulate all interstate and foreign communication by wire

or radio. 11/ See United States v. Southwestern Cable Co., 392 U.S. [157] at 172-73, 88 S.Ct. at 2002-03 (1968). Moreover, the FCC is empowered to "perform any and all acts, make such rules and regulations, and issue such orders, not inconsistent with this chapter, as may be necessary in the execution of its functions." 47 U.S.C. §154(i). Congress gave the FCC broad authority, so as to "maintain, through appropriate administrative control, [the federal government's] grip on the dynamic aspects of radio transmission." FCC v. Midwest Video Corp., 440 U.S. [689] at 696, 99 S.Ct. [1435] at 1441 [1979], quoting, FCC v. Pottsville Broadcasting Co., 309 U.S. 134, 138, 60 S.Ct. 437, 439, 84 L.Ed. 656 (1940). . . . Title III of the Act, 47 U.S.C. §301 et seq., governs the FCC's authority over radio communications. (Congress has instructed the FCC to "encourage the larger and more effective use of radio in the public interest.") 47 U.S.C. §303(g). see National Broadcasting Co. v. United States, 319 U.S. 190, 219, 63 S.Ct. 997, 1010, 87 L.Ed. 1344 (1943), and to maintain federal control "over all the channels of interstate and foreign radio transmission." 47 U.S.C. §301. To carry out its mandate, Congress empowered the FCC to "[m]ake such rules and regulations and prescribe such restrictions and conditions, not inconsistent with law, as may be necessary to carry out the provisions of this chapter. . ." 47 U.S.C. §303(r).

} key to pre-emption and legality of receivers!

11/ The statutory definitions of "communication by wire" and "communication by radio" include "all instrumentalities, facilities, apparatus, and services (among other things, the receipt, forwarding, and delivery of communications) incidental to such transmission[s]." 47 U.S.C. §153(a)(b). (emphasis added).

statutory definition of communication by wire!

16. As the following paragraphs indicate, the unfettered development of interstate transmission of satellite signals, obviously dependent upon facilities for their reception, is a federal concern of increasing significance to the public at large. This goal has its roots in the Communications Act of 1934, wherein Congress granted this Commission the authority to establish a pervasive system of regulation in various communications services. Section 303 of the Act gives this Commission such numerous powers so that no doubt exists

as to the extent of this regulatory scheme. The need for these comprehensive powers stemmed, according to Judge [now Chief Justice] Burger, from "the practical difficulties inhering in state-by-state regulation of parts of an organic whole . . . fifty states and myriad local authorities cannot effectively deal with bits and pieces of what is really a unified system of communications." General Telephone Co. of California v. FCC, 413 F.2d 390, 398, 401 (D.C. Cir. 1968). Our discussion in the Report and Order, Duplicative and Excessive Over-Regulation of CATV, Docket No. 20272, 54 FCC 2d 855, 861-2 (1975), focused on traditional cable television, but also spoke in broader terms of the Commission's preemptive jurisdiction over a new communications medium:

The Court has made it very clear that the authority of this Commission regarding "unified control" of the regulatory aspects of a new communications medium such as cable is very broad. In National Broadcasting Co. v. United States, [supra], the Court recognized that Congress had enacted legislation (the Communications Act of 1934, as amended) in a field that was "both new and dynamic" and that the grant of authority was of "not (niggardly) but expansive powers." . . . [w]e view the Federal Communications Act as the kind of legislation where Congress has delegated to the executive agency not only the power to regulate in a certain broad area of national interest but the power of supersession as well. The dynamic, rapidly changing technology of radio and television broadcasting is ill-suited to specific Congressional guidelines to regulatory authority. The need for the greatest flexibility commands the desirability of vesting in the Commission the power of Congress to preempt or not to preempt areas of control which might otherwise be invaded by the states. Thus, whether preemption has in fact occurred . . . under the Supremacy Clause of the Constitution, depends on whether the Federal Communications Commission has, in fact, regulated in [an] area and not upon whether it has the power to do so.

Language requiring uniformity and recognizing pre-emption

17. Although the Commission previously has not addressed the question of preempting SMATV, per se, our precedent over the constituent elements of SMATV systems clearly indicates that we have, in fact, intended to preempt state regulation insofar as it frustrates the reception of satellite-transmitted signals. The program signals transmitted and the communications satellites that provide these signals to the receive station of an SMATV system are inherently interstate in nature and subject to federal regulation and pre-emption. Domestic Communications Satellite Facilities, 22 FCC 2d 86, 129 (1970). The reception facilities that are associated with the satellite systems initially were subject to Commission licensing. In 1979, the requirement for a federal authorization to construct and operate a receive station was made optional. In re Regulation of Domestic Receive-Only Satellite Earth Stations, 74 FCC 2d 205 (1979). In doing so, the Commission was specific

SB 504 is to Earth Stations + receivers is unconstitutional

that the action was taken in light of the perceived public interest values associated with competitive, unregulated entry into the earth station ownership field. The Commission stated at page 703 that we sought "the least regulation consistent with our domestic satellite policies," and emphasized at page 710 that deregulation would:

. . . do away with redundant government regulation where the marketplace itself operates in the public interest. . . . This lowers the economic and procedural barriers inhibiting unrestricted competitive entry into the satellite field. And it removes the government from one more area where the marketplace can make its own choices.

The avoidance of barriers to satellite reception (authorized by the originator) caused by state or local licensing or economic regulation of earth station receivers is a matter that will be of growing importance as the cost of the equipment used for television, data, or other communications service reception declines. The Commission has pursued open entry policies in the satellite field for the purpose of creating a more diverse and competitive telecommunications environment. The authorization of competitive facilities, including the recent authorization of direct broadcast satellite systems, DBS Report and Order, 90 FCC 2d 676 (1982), and the deregulation of earth station terminals, supra, demonstrate the Commission's implementation of these policies. The interposition of prior approval requirements at the state or local level contradicts our efforts to create a more rapid and efficient interstate telecommunications marketplace. Although preemption was not specifically discussed in our satellite authorization proceedings or in our deregulation of earth stations, we believe it is clear that local prior approval requirements are inconsistent with national policies in these areas. In more general terms, "receiving sets" have been held to be "absolutely essential instrumentalities" of radio broadcasting. Station WBT v. Poulnot, 46 F.2d 671, 675. (Although a collective receiver is here involved rather than a number of individual receivers, the thrust of the stated constraints on the exercise of state regulatory power would not appear to be altered.)

*18. In addition, pay television service itself, the primary programming source of an SMATV system, has been preempted from state and local regulation. 6/ First Report and Order in Docket Nos. 19554 and 18893, 52 FCC 2d 1 (1975); Brookhaven Cable TV Inc. v. Kelley, supra. Although Brookhaven primarily addresses pay cable rates, it clearly supports this preemption. In Brookhaven, the district court stated at page 1223:

The FCC has determined that rates for pay cable TV should be set by marketplace forces and not regulated by state or local authorities. The

6/ We also recognize that many different types of signals, including broadcast signals, complete the satellite delivered programming complement of an SMATV system. All these signals, by their very nature, are interstate or affect interstate commerce. Allen B. Dumont Labs, Inc. v. Carroll, 184 F.2d 153, 154 (3rd Cir. 1950), cert. denied, 340 U.S. 929 (1951).

*This does not
with the
issue*

rationale behind this decision is simply that rate regulation can be expected to chill development of the new medium, whereas a free market environment should enable it to grow. Since the FCC has also determined that pay cable TV will increase programming diversity it follows that efforts to nurture and protect this infant medium will, likewise, result in an increase in programming variety. This same rationale supported an earlier decision of the FCC to preclude rate regulation of another infant medium, subscription television (STV). (footnote omitted).

19. We believe that state or local government entry regulation of SMATV will "chill development" of this service or impede its growth. We therefore conclude that our preemption today will ensure continued development and increased programming diversity to viewers of SMATV.

20. We do not agree with NYSCCT that SMATV's reliance on technology similar to franchised cable should prevent us from ensuring its continued development. Nor are we persuaded by their hypothetical economic analysis of the effects on franchised cable television operations. This Commission is not an economic guarantor of competing communication technologies which may offer similar services to subscribers. Contrary to NYSCCT's assertion that preemption will stifle the development of broadband communications, we believe that this decision will encourage direct competition in a specific geographic area. From both a policy and a legal perspective, we find the arguments based on the interrelationship between SMATV operations and franchised cable television service to be virtually identical to arguments raised and rejected in the Orth-O-Vision proceeding. State or local government regulatory control over, or interference with, a federally licensed or authorized interstate communications service, intentionally or incidentally resulting in the suppression of that service in order to advance a service favored by the state, is neither consistent with the Commission's goal of developing a nationwide scheme of telecommunications nor with the Supremacy Clause of the Constitution. In addition, it would appear that in states such as New York, where franchised cable is provided access to multi-unit dwellings by state regulatory fiat, these services may co-exist, or at least have the opportunity to compete for subscribers. See e.g., N.Y. Exec. Law §828 (McKinney Supp. 1982).

21. However, we recognize that countervailing state interests inhere in the present situation. Therefore, consistent with our action in Orth-O-Vision, *supra*, this document does not intend to preclude all state regulation. For example, we do not wish to preclude a state or locality from exercising jurisdiction over certain elements of an SMATV operation that properly may fall within its authority, such as zoning or public safety and health, provided the regulation in question is not undertaken as a pretext for the actual purpose of frustrating achievement of the preeminent federal objective and so long as the nonfederal regulation is applied in a non-discriminatory manner. Local authority over such concerns must be exercised so that a local jurisdiction in fact does not inhibit or interfere with the delivery of interstate signals through the exercise of its authority. Certain countervailing state interests may be legitimate but would interfere

impermissibly with the federal interest in establishing and maintaining interstate satellite program delivery. Our ruling herein applies to those aspects of a state or local regulatory process that, while otherwise legitimate, are inextricably connected with the delivery of interstate signals and the development of receive points so that those signals may be transmitted to subscribers among the public. As this case stands today, a superior court injunction inhibits the operation of ESC's SMATV system until Petitioner obtains a certificate of approval from the State of New Jersey. Although the record before us is not clear regarding petitioner's requirements in obtaining a certificate of approval from the state, there is no indication that the process would be pro forma, nor that delay in the initiation of service or termination of service would not be likely to occur. For example, strict application of the state cable law could entail a local franchise process and/or an evidentiary hearing at the state level, should any party object to the application. The consequence of regulatory intervention in the instant matter already has been a termination of satellite video service to the public. A written inquiry from petitioner requesting guidelines on how to comply with state law remains unanswered, insofar as the record before us is concerned. We believe that this very uncertainty with respect to state and local regulatory requirements could well have a chilling effect on entrepreneurs who otherwise would enter the pay television market with offerings of satellite-transmitted program signals. We hold that aspects of the state regulatory process involving certification or registration and related procedural obligations stand as an obstacle to the accomplishment and execution of the full purposes and objectives of the Commission. The potential for such state regulation to chill the development of SMATV service conflicts with our Congressional mandate, as embodied in the Communications Act, to foster the development of national communications service. Accordingly, we hold that this New Jersey certification process, as it applies to SMATV, is preempted. ^{7/}

22. Parties opposing petitioner's request maintain that because franchised cable systems and SMATV systems offer substantially the same service to a subscriber, the Commission should establish a dual regulatory approach to SMATV similar to the scheme that currently exists for franchised cable systems. The cable television interests argue that if we preempt local regulation of SMATV, we should do the same for all facets of traditional cable, because that medium also receives interstate signals. We agree with petitioner that the Commission established this duality as a policy decision, rather than as a matter of law, based on franchised cable's use of the public streets

^{7/} We recognize that in Orth-O-Vision, supra, the State of New York, in fact, had denied a franchise for the operation of an MATV system. In this case we find the delay already created by state action to be analagous.

and rights of ways and the particular local interests considered applicable to a cable operator, generally chosen to serve the community as a whole. The Commission's Cable Television Report and Order, 36 FCC 2d 143 (1972) discussed the subject of dual jurisdiction at page 207. We stated in that document:

. . . local governments are inescapably involved in the process because cable makes use of streets and ways and because local authorities are able to bring a special expertness to such matters, for example, as how best to parcel large urban areas into cable districts.

In the Commission's Report and Order in Docket No. 20272, supra, we discussed the question of federal preemption of cable television at page 861:

The ultimate dividing line, as we see it, rests on the distinction between reasonable regulations regarding use of the streets and rights-of-way and the regulation of the operational aspects of cable communications. The former is clearly within the jurisdiction of the states and their political subdivisions. The latter, to the degree exercised, is within the jurisdiction of this Commission. This is so because of the interstate nature of the medium as enunciated by the Supreme Court. (footnote omitted)

See Orth-O-Vision, supra, 669 F.2d at 66, n. 16.

23. It is clear from the foregoing that the Commission possesses the authority to preempt state and local regulation of SMATV systems, and that, in fact, we have either regulated and/or preempted the elements constituting such a system. ^{8/} In order to clear up any lingering doubt we do today, by this document, state our authority to and hereby do preempt state and local regulation of SMATV systems that have the effect of interfering with, delaying, or terminating interstate and federally controlled communications services.

25. Accordingly, IT IS ORDERED, That the relief requested under Section 76.7 of the Commission's Rules, filed on May 18, 1983, by Earth Satellite Communications, Inc. IS GRANTED, to the extent indicated above.

FEDERAL COMMUNICATIONS COMMISSION

William J. Tricarico
Secretary

^{8/} Because of our previous declarations regarding the elements of SMATV, we believe that this order is a clarification and consolidation of precedent and need not be treated as a rulemaking or other expanded proceeding. We also believe that parties interested in this matter have had adequate notice to comment. See footnotes 1 and 5, supra.

No. 81-1657

SONY CORPORATION OF AMERICA, ET AL., PETITIONERS v. UNIVERSAL CITY STUDIOS, INC., ETC., ET AL.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Syllabus

No. 81-1657. Argued January 18, 1983—Reargued October 3, 1983—Decided January 17, 1984

Petitioner Sony Corp. manufactures home video tape recorders (VTR's) and markets them through retail establishments, some of which are also petitioners. Respondents own the copyrights on some of the television programs that are broadcast on the public airwaves. Respondents brought an action against petitioners in Federal District Court, alleging that VTR consumers had been recording some of respondents' copyrighted works that had been exhibited on commercially sponsored television and thereby infringed respondents' copyrights, and further that petitioners were liable for such copyright infringement because of their marketing of the VTR's. Respondents sought money damages, an equitable accounting of profits, and an injunction against the manufacture and marketing of the VTR's. The District Court denied respondents all relief, holding that noncommercial home use recording of material broadcast over the public airwaves was a fair use of copyrighted works and did not constitute copyright infringement, and that petitioners could not be held liable as contributory infringers even if the home use of a VTR was considered an infringing use. The Court of Appeals reversed, holding petitioners liable for contributory infringement and ordering the District Court to fashion appropriate relief.

Held. The sale of the VTR's to the general public does not constitute contributory infringement of respondents' copyrights.

(a) The protection given to copyrights is wholly statutory, and, in a case like this, in which Congress has not plainly marked the course to be followed by the judiciary, this Court must be circumspect in construing the scope of rights created by a statute that never contemplated such a calculus of interests. Any individual may reproduce a copyrighted work for a "fair use"; the copyright owner does not possess the exclusive right to such a use.

(b) *Kalem Co. v. Harper Brothers*, 222 U. S. 55, does not support respondents' novel theory that supplying the "means" to accomplish an infringing activity and encouraging that activity through advertisement are sufficient to establish liability for copyright infringement. This case does not fall in the category of those in which it is manifestly just to impose vicarious liability because the "contributory" infringer was in a position to control the use of copyrighted works by others and had authorized the use without permission from the copyright owner. Here, the only contact between petitioners and the users of the VTR's occurred at the moment of sale. And there is no precedent for imposing vicarious liability on the theory that petitioners sold the VTR's with constructive knowledge that their customers might use the equipment to make unauthorized copies of copyrighted material. The sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes, or, indeed, is merely capable of substantial noninfringing uses.

(c) The record and the District Court's findings show (1) that there is a significant likelihood that substantial numbers of copyright holders who license their works for broadcast on free television would not object to having their broadcast time-shifted by private viewers (i. e., recorded at a time when the VTR owner cannot view the broadcast so that it can be watched at a later time); and (2) that there is no likelihood that time-shifting would cause nominal harm to the potential market for, or the value of, respondents' copyrighted works. The VTR's are therefore capable of substantial noninfringing uses. Private, noncommercial time-shifting in the home satisfies this standard of noninfringing uses both because respondents have no right to prevent other copyright holders from authorizing such time-shifting for their programs, and because the District Court's findings reveal that even the unauthorized home time-shifting of respondents' programs is legitimate fair use.

559 F. 2d 983, reversed.

STEVENS, J., delivered the opinion of the Court in which BURGER, C. J., and BRENNAN, WHITE, and O'CONNOR, JJ., joined. BLACKMUN, J., filed a dissenting opinion in which MARSHALL, POWELL, and REHNQUIST, JJ., joined.

JUSTICE STEVENS delivered the opinion of the Court.

Petitioners manufacture and sell home video tape recorders. Respondents own the copyrights on some of the television programs that are broadcast on the public airwaves. Some members of the general public use video tape recorders sold by petitioners to record some of these broadcasts, as well as a large number of other broadcasts. The question presented is whether the sale of petitioners' copying equipment to the general public violates any of the rights conferred upon respondents by the Copyright Act.

Respondents commenced this copyright infringement action against petitioners in the United States District Court for the Central District of California in 1976. Respondents alleged that some individuals had used Betamax video tape recorders (VTR's) to record some of respondents' copyrighted works which had been exhibited on commercially sponsored television and contended that these individuals had thereby infringed respondents' copyrights. Respondents further maintained that petitioners were liable for the copyright infringement allegedly committed by Betamax consumers because of petitioners' marketing of the Betamax VTR's.¹ Respondents sought no relief against any Betamax consumer. Instead, they sought money damages and an equitable accounting of profits from petitioners, as well as an injunction against the manufacture and marketing of Betamax VTR's.

After a lengthy trial, the District Court denied respondents all the relief they sought and entered judgment for petitioners. 480 F. Supp. 429 (1979). The United States Court of Appeals for the Ninth Circuit reversed the District Court's judgment on respondent's copyright claim, holding petitioners liable for contributory infringement and ordering the District Court to fashion appropriate relief. 659 F. 2d 963 (1981). We granted certiorari, 457 U. S. 1116 (1982); since we had not completed our study of the case last Term, we ordered reargument, — U. S. — (1983). We now reverse.

An explanation of our rejection of respondents' unprecedented attempt to impose copyright liability upon the distributors of copying equipment requires a quite detailed recitation of the findings of the District Court. In summary, those findings reveal that the average member of the public uses a VTR principally to record a program he cannot view as it is being televised and then to watch it once at a later time. This practice, known as "time-shifting," enlarges the television viewing audience. For that reason, a significant amount of television programming may be used in this manner without objection from the owners of the copyrights on the programs. For the same reason, even the two respondents in this case, who do assert objections to time-shifting in this litigation, were unable to prove that the practice has impaired the commercial value of their copyrights or has created any likelihood of future harm. Given these findings, there is no basis in the Copyright Act upon which respondents can hold petitioners liable for distributing VTR's to the general public. The Court of Appeals' holding that respondents are entitled to enjoin the distribution of VTR's, to collect royalties on the sale of such equipment, or to obtain other relief, if affirmed, would enlarge the scope of respondents' statutory monopolies to encompass control over an article of commerce that is not the subject of copyright protection. Such an expansion of the copyright privilege is beyond the limits of the grants authorized by Congress.

¹ The respondents also asserted causes of action under state law and § 43(a) of the Trademark Act of 1946, 60 Stat. 441, 15 U. S. C. § 1125(a). These claims are not before this Court.

I

The two respondents in this action, Universal Studios, Inc. and Walt Disney Productions, produce and hold the copyrights on a substantial number of motion pictures and other audiovisual works. In the current marketplace, they can exploit their rights in these works in a number of ways: by authorizing theatrical exhibitions, by licensing limited showings on cable and network television, by selling syndication rights for repeated airings on local television stations, and by marketing programs on prerecorded videotapes or videodiscs. Some works are suitable for exploitation through all of these avenues, while the market for other works is more limited.

Petitioner Sony manufactures millions of Betamax video tape recorders and markets these devices through numerous retail establishments, some of which are also petitioners in this action.² Sony's Betamax VTR is a mechanism consisting of three basic components: (1) a tuner, which receives electromagnetic signals transmitted over the television band of the public airwaves and separates them into audio and visual signals; (2) a recorder, which records such signals on a magnetic tape; and (3) an adapter, which converts the audio and visual signals on the tape into a composite signal that can be received by a television set.

Several capabilities of the machine are noteworthy. The separate tuner in the Betamax enables it to record a broadcast off one station while the television set is tuned to another channel, permitting the viewer, for example, to watch two simultaneous news broadcasts by watching one "live" and recording the other for later viewing. Tapes may be reused, and programs that have been recorded may be erased either before or after viewing. A timer in the Betamax can be used to activate and deactivate the equipment at predetermined times, enabling an intended viewer to record programs that are transmitted when he or she is not at home. Thus a person may watch a program at home in the evening even though it was broadcast while the viewer was at work during the afternoon. The Betamax is also equipped with a pause button and a fast-forward control. The pause button, when depressed, deactivates the recorder until it is released, thus enabling a viewer to omit a commercial advertisement from the recording, provided, of course, that the viewer is present when the program is recorded. The fast forward control enables the viewer of a previously recorded program to run the tape rapidly when a segment he or she does not desire to see is being played back on the television screen.

The respondents and Sony both conducted surveys of the way the Betamax machine was used by several hundred owners during a sample period in 1978. Although there were some differences in the surveys, they both showed that the primary use of the machine for most owners was "time-shifting,"—the practice of recording a program to view it once at a later time, and thereafter erasing it. Time-shifting enables viewers to see programs they otherwise would miss because they are not at home, are occupied with other tasks, or are viewing a program on another station at the time of a broadcast that they desire to watch. Both surveys also

²The four retailers are Carter, Hawley, Hales, Stores, Inc.; Associated Dry Goods Corp.; Federated Department Stores, Inc.; and Henry's Camera Corp. The principal defendants are Sony Corporation, the manufacturer of the equipment, and its wholly owned subsidiary, Sony Corporation of America. The advertising agency of Doyle, Dane, Burnbock, Inc., also involved in marketing the Betamax, is also a petitioner. An individual VTR user, Willis Griffiths, was named as a defendant in the District Court, but respondent sought no relief against him. Griffiths is not a petitioner. For convenience, we shall refer to petitioners collectively as Sony.

showed, however, that a substantial number of interviewees had accumulated libraries of tapes.³ Sony's survey indicated that over 80% of the interviewees watched at least as much regular television as they had before owning a Betamax.⁴ Respondents offered no evidence of decreased television viewing by Betamax owners.⁵

Sony introduced considerable evidence describing television programs that could be copied without objection from any copyright holder, with special emphasis on sports, religious, and educational programming. For example, their survey indicated that 7.3% of all Betamax use is to record sports events, and representatives of professional baseball, football, basketball, and hockey testified that they had no objection to the recording of their televised events for home use.⁶

Respondents offered opinion evidence concerning the future impact of the unrestricted sale of VTR's on the commercial value of their copyrights. The District Court found, however, that they had failed to prove any likelihood of future harm from the use of VTR's for time-shifting. *Id.*, at 469.

The District Court's Decision

The lengthy trial of the case in the District Court concerned the private, home use of VTR's for recording programs broadcast on the public airwaves without charge to the viewer. No issue concerning the transfer of tapes to other persons, the use of home-recorded tapes for public perform-

³As evidence of how a VTR may be used, respondents offered the testimony of William Griffiths. Griffiths, although named as an individual defendant, was a client of plaintiffs' law firm. The District Court summarized his testimony as follows:

"He owns approximately 100 tapes. When Griffiths bought his Betamax, he intended not only to time-shift (record, play-back and then erase) but also to build a library of cassettes. Maintaining a library, however, proved too expensive, and he is now erasing some earlier tapes and reusing them.

"Griffiths copied about 20 minutes of a Universal motion picture called 'Never Give An Inch,' and two episodes from Universal television series entitled 'Paa Baa Black Sheep' and 'Holmes and Yo Yo.' He would have erased each of these but for the request of plaintiffs' counsel that it be kept. Griffiths also testified that he had copied but already erased Universal films called 'Alpha Capet' (erased before anyone saw it) and 'Amelia Earhart.' At the time of his deposition Griffiths did not intend to keep any Universal film in his library.

"Griffiths has also recorded documentaries, news broadcasts, sporting events and political programs such as a rerun of the Nixon-Kennedy debate." 480 F. Supp., at 436-437.

Four other witnesses testified to having engaged in similar activity.

⁴The District Court summarized some of the findings in these surveys as follows:

"According to plaintiffs' survey, 75.4% of the VTR owners use their machines to record for time-shifting purposes half or most of the time. Defendants' survey showed that 96% of the Betamax owners had used the machine to record programs they otherwise would have missed.

"When plaintiffs asked interviewees how many cassettes were in their library, 55.8% said there were 10 or fewer. In defendants' survey, of the total programs viewed by interviewees in the past month, 70.4% had been viewed only that one time and for 57.9%, there were no plans for further viewing." 480 F. Supp., at 438.

⁵"91.9% of the defendants' interviewees watched the same amount or more of regular television as they did before owning a Betamax. 53.2% reported their frequency of movie going was unaffected by Betamax." 480 F. Supp., at 439.

⁶See Def. Exh. OT, Table 20, Tr. 2147-2150, 2180, 2180-2187, 2515-2516, 2530-2531.

The trial also briefly touched upon demonstrations of the Betamax by the retailer petitioners which were alleged to be infringements by respondents. The District Court held against respondents on this claim, 480 F. Supp., at 456-457, the Court of Appeals affirmed this holding, 659 F. 2d, at 976 and respondents did not cross-petition on this issue.

ances, or the copying of programs transmitted on pay or cable television systems was raised. See 480 F. Supp. 429, 432-433, 442 (1979).

The District Court concluded that noncommercial home use recording of material broadcast over the public airwaves was a fair use of copyrighted works and did not constitute copyright infringement. It emphasized the fact that the material was broadcast free to the public at large, the noncommercial character of the use, and the private character of the activity conducted entirely within the home. Moreover, the court found that the purpose of this use served the public interest in increasing access to television programming, an interest that "is consistent with the First Amendment policy of providing the fullest possible access to information through the public airwaves. *Columbia Broadcasting System, Inc. v. Democratic National Committee*, 412 U. S. 94, 102." 480 F. Supp., at 454.⁴ Even when an entire copyrighted work was recorded, the District Court regarded the copying as fair use "because there is no accompanying reduction in the market for plaintiff's original work." *Ibid.*

As an independent ground of decision, the District Court also concluded that Sony could not be held liable as a contributory infringer even if the home use of a VTR was considered an infringing use. The District Court noted that Sony had no direct involvement with any Betamax purchasers who recorded copyrighted works off the air. Sony's advertising was silent on the subject of possible copyright infringement, but its instruction booklet contained the following statement:

"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." *Id.*, at 436.

The District Court assumed that Sony had constructive knowledge of the probability that the Betamax machine would be used to record copyrighted programs, but found that Sony merely sold a "product capable of a variety of uses, some of them allegedly infringing." *Id.*, at 461. It reasoned:

"Selling a staple article of commerce *e. g.*, a typewriter, a recorder, a camera, a photocopying machine technically contributes to any infringing use subsequently made thereof, but this kind of 'contribution,' if deemed sufficient as a basis for liability, would expand the theory beyond precedent and arguably beyond judicial management.

"Commerce would indeed be hampered if manufacturers of staple items were held liable as contributory infringers whenever they 'constructively' knew that some purchasers on some occasions would use their product for a purpose which a court later deemed, as a matter of first impression, to be an infringement." *Ibid.*

Finally, the District Court discussed the respondents' prayer for injunctive relief, noting that they had asked for an injunction either preventing the future sale of Betamax machines, or requiring that the machines be rendered incapable of recording copyrighted works off the air. The court stated that it had "found no case in which the manufacturers, distributors, retailers, and advertisers of the instrument enabling the infringement were sued by the copyright holders,"

⁴The court also found that this "access is not just a matter of convenience, as plaintiffs have suggested. Access has been limited not simply by inconvenience but by the basic need to work. Access to the better program has also been limited by the competitive practice of counterprogramming." 480 F. Supp., at 454.

and that the request for relief in this case "is unique." 480 F. Supp., at 465.

It concluded that an injunction was wholly inappropriate because any possible harm to respondents was outweighed by the fact that "the Betamax could still legally be used to record noncopyrighted material or material whose owners consented to the copying. An injunction would deprive the public of the ability to use the Betamax for this noninfringing off-the-air recording." 480 F. Supp., at 465.

The Court of Appeals' Decision

The Court of Appeals reversed the District Court's judgment on respondents' copyright claim. It did not set aside any of the District Court's findings of fact. Rather, it concluded as a matter of law that the home use of a VTR was not a fair use because it was not a "productive use." It therefore held that it was unnecessary for plaintiffs to prove any harm to the potential market for the copyrighted works, but then observed that it seemed clear that the cumulative effect of mass reproduction made possible by VTR's would tend to diminish the potential market for respondents' works. 659 F. 2d, at 974.

On the issue of contributory infringement, the Court of Appeals first rejected the analogy to staple articles of commerce such as tape recorders or photocopying machines. It noted that such machines "may have substantial benefit for some purposes" and do not "even remotely raise copyright problems." *Id.*, at 975. VTR's, however, are sold "for the primary purpose of reproducing television programming" and "virtually all" such programming is copyrighted material. *Ibid.* The Court of Appeals concluded, therefore, that VTR's were not suitable for any substantial noninfringing use even if some copyright owners elect not to enforce their rights.

The Court of Appeals also rejected the District Court's reliance on Sony's lack of knowledge that home use constituted infringement. Assuming that the statutory provisions defining the remedies for infringement applied also to the non-statutory tort of contributory infringement, the court stated that a defendant's good faith would merely reduce his damages liability but would not excuse the infringing conduct. It held that Sony was chargeable with knowledge of the homeowner's infringing activity because the reproduction of copyrighted materials was either "the most conspicuous use" or "the major use" of the Betamax product. *Ibid.*

On the matter of relief, the Court of Appeals concluded that "statutory damages may be appropriate," that the District Court should reconsider its determination that an injunction would not be an appropriate remedy; and, referring to "the analogous photocopying area," suggested that a continuing royalty pursuant to a judicially created compulsory license may very well be an acceptable resolution of the relief issue. 659 F. 2d, at 976.

II

Article I, Sec. 8 of the Constitution provides that:

"The Congress shall have Power . . . to Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special

⁵"Without a 'productive use', *i. e.* when copyrighted material is reproduced for its intrinsic use, the mass copying of the sort involved in this case precludes an application of fair use." 659 F. 2d, at 971-972.

private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.

"The copyright law, like the patent statute, makes reward to the owner a secondary consideration. In *Fox Film Corp. v. Doyal*, 286 U. S. 123, 127. Chief Justice Hughes spoke as follows respecting the copyright monopoly granted by Congress. The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors.' It is said that reward to the author or artist serves to induce release to the public of the products of his creative genius." *United States v. Paramount Pictures*, 334 U. S. 131, 155.

As the text of the Constitution makes plain, it is Congress that has been assigned the task of defining the scope of the limited monopoly that should be granted to authors or to inventors in order to give the public appropriate access to their work product. Because this task involves a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand, our patent and copyright statutes have been amended repeatedly.¹¹

From its beginning, the law of copyright has developed in response to significant changes in technology.¹² Indeed, it was the invention of a new form of copying equipment—the printing press—that gave rise to the original need for copyright protection.¹³ Repeatedly, as new developments have

¹¹In its report accompanying the comprehensive revision of the Copyright Act in 1909, the Judiciary Committee of the House of Representatives explained this balance:

"The enactment of copyright legislation by Congress under the terms of the Constitution is not based upon any natural right that the author has in his writings, . . . but upon the ground that the welfare of the public will be served and progress of science and useful arts will be promoted by securing to authors for limited periods the exclusive rights to their writings.

"In enacting a copyright law Congress must consider . . . two questions: First, how much will the legislation stimulate the producer and so benefit the public, and, second, how much will the monopoly granted be detrimental to the public? The granting of such exclusive rights, under the proper terms and conditions, confers a benefit upon the public that outweighs the evils of the temporary monopoly." H. R. Rep. No. 2222, 60th Cong., 2d Sess. 7 (1909).

"Thus, for example, the development and marketing of player pianos and perforated rolls of music, see *White Smith Music Publishing Co. v. Apollo Co.*, 209 U. S. 1 (1908), preceded the enactment of the Copyright Act of 1909; innovations in copying techniques gave rise to the statutory exemption for library copying embodied in § 108 of the 1976 revision of the Copyright law; the development of the technology that made it possible to retransmit television programs by cable or by microwave systems, see *Fortnightly Corp. v. United Artists*, 392 U. S. 390 (1968), and *Teleprompter Corp. v. CBS*, 415 U. S. 394 (1974), prompted the enactment of the complex provisions set forth in 17 U. S. C. § 111 (d)(2)(B) and § 111(d)(5) after years of detailed congressional study, see *Eastern Microwave, Inc. v. Doubleday Sports, Inc.*, 691 F. 2d 125, 129 (CA2 1982).

By enacting the Sound Recording Amendment of 1971, 85 Stat. 391, Congress also provided the solution to the "record piracy" problems that had been created by the development of the audio tape recorder. Sony argues that the legislative history of that Act, see especially H. Rep. No. 487, 92nd Cong., 1st Sess., p. 7, indicates that Congress did not intend to prohibit the private home use of other audio or video tape recording equipment. In view of our disposition of the contributory infringement issue, we express no opinion on that question.

¹²Copyright protection became necessary with the invention of the printing press and had its early beginnings in the British censorship laws. The fortunes of the law of copyright have always been closely connected

occurred in this country, it has been the Congress that has fashioned the new rules that new technology made necessary. Thus, long before the enactment of the Copyright Act of 1909, 35 Stat. 1075, it was settled that the protection given to copyrights is wholly statutory. *Wheaton v. Peters*, 33 U. S. (8 Peters) 591, 661-662 (1834). The remedies for infringement "are only those prescribed by Congress." *Thompson v. Hubbard*, 131 U. S. 123, 151 (1889).

The judiciary's reluctance to expand the protections afforded by the copyright without explicit legislative guidance is a recurring theme. See, e. g., *Teleprompter Corp. v. CBS*, 415 U. S. 394 (1974); *Fortnightly Corp. v. United Artists*, 392 U. S. 390 (1968); *White-Smith Music Publishing Co. v. Apollo Co.*, 209 U. S. 1 (1908); *Williams and Wilkins v. United States*, 487 F. 2d 1345 (Ct. Cl. 1973), affirmed by an equally divided court, 420 U. S. 376 (1975). Sound policy, as well as history, supports our consistent deference to Congress when major technological innovations alter the market for copyrighted materials. Congress has the constitutional authority and the institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by such new technology.

In a case like this, in which Congress has not plainly marked our course, we must be circumspect in construing the scope of rights created by a legislative enactment which never contemplated such a calculus of interests. In doing so, we are guided by Justice Stewart's exposition of the correct approach to ambiguities in the law of copyright:

"The limited scope of the copyright holder's statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good. 'The sole interest of the United States and the primary object in conferring the monopoly,' this Court has said, 'lie in the general benefits derived by the public from the labors of authors.' *Fox Film Corp. v. Doyal*, 286 U. S. 123, 127. — *Kendall v. Winsor*, 21 How. 322, 327-328; *Grant v. Raymond*, 6 Pet. 213, 241-242. When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of this basic purpose." *Twentieth Century Music Corp. v. Aiken*, 422 U. S. 151, 156 (footnotes omitted).

Copyright protection "subsists . . . in original works of authorship fixed in any tangible medium of expression." 17 U. S. C. § 102(a). This protection has never accorded the copyright owner complete control over all possible uses of his work.¹⁴ Rather, the Copyright Act grants the copyright

with freedom of expression, on the one hand, and with technological improvements in means of dissemination, on the other. Successive ages have drawn different balances among the interest of the writer in the control and exploitation of his intellectual property, the related interest of the publisher, and the competing interest of society in the untrammelled dissemination of ideas." Foreword to B. Kaplan, *An Unsettled View of Copyright* vii-viii (1967).

¹⁴See, e. g., *White Smith Music Publishing Co. v. Apollo Co.*, 209 U. S. 1, 19 (1908); cf. *Deep South Packing Co. v. Latham Corp.*, 406 U. S. 518, 530-531 (1972). While the law has never recognized an author's right to

holder "exclusive" rights to use and to authorize the use of his work in five qualified ways, including reproduction of the copyrighted work in copies. *Id.*, § 106.¹⁴ All reproductions of the work, however, are not within the exclusive domain of the copyright owner; some are in the public domain. Any individual may reproduce a copyrighted work for a "fair use;" the copyright owner does not possess the exclusive right to such a use. Compare *id.*, § 106 with *id.*, § 107.

"Anyone who violates any of the exclusive rights of the copyright owner," that is, anyone who trespasses into his exclusive domain by using or authorizing the use of the copyrighted work in one of the five ways set forth in the statute, "is an infringer of the copyright." *Id.*, § 501(a). Conversely, anyone who is authorized by the copyright owner to use the copyrighted work in a way specified in the statute or who makes a fair use of the work is not an infringer of the copyright with respect to such use.

The Copyright Act provides the owner of a copyright with a potent arsenal of remedies against an infringer of his work, including an injunction to restrain the infringer from violating his rights, the impoundment and destruction of all reproductions of his work made in violation of his rights, a recovery of his actual damages and any additional profits realized by the infringer or a recovery of statutory damages, and attorneys fees. *Id.*, §§ 502-505.¹⁵

The two respondents in this case do not seek relief against the Betamax users who have allegedly infringed their copyrights. Moreover, this is not a class action on behalf of all copyright owners who license their works for television broadcast, and respondents have no right to invoke whatever rights other copyright holders may have to bring infringement actions based on Betamax copying of their works.¹⁶ As

absolute control of his work, the natural tendency of legal rights to express themselves in absolute terms to the exclusion of all else is particularly pronounced in the history of the constitutionally sanctioned monopolies of the copyright and the patent. See e.g., *United States v. Paramount Pictures*, 334 U. S. 131, 156-158 (1948) (copyright owners claiming right to tie license of one film to license of another under copyright law); *Fox Film Corp. v. Doyal*, 286 U. S. 106 (1932) (copyright owner claiming copyright renders it immune from state taxation of copyright royalties); *Bobbs-Merrill Co. v. Straus*, 210 U. S. 339, 349-351 (1908) (copyright owner claiming that a right to fix resale price of his works within the scope of his copyright); *International Business Machines v. United States*, 298 U. S. 131 (1936) (patentees claiming right to tie sale of unpatented article to lease of patented device).

¹⁴Section 106 of the Act provides:

"Subject to sections 107 through 115, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly."

¹⁵Moreover, anyone who willfully infringes the copyright to reproduce a motion picture for purposes of commercial advantage or private financial gain is subject to criminal penalties of one year imprisonment and a \$25,000 fine for the first offense and two years imprisonment and a \$50,000 fine for each subsequent offense. 17 U. S. C. § 506(a), and the fruits and instrumentalities of the crime are forfeited upon conviction, *id.*, § 506(b).

¹⁶In this regard, we reject respondent's attempt to cast this action as a class action because of the positions taken by amici with opposing interests and their attempt to treat the statements made by amici as evidence in this case. See Brief for Respondent, at 1, and n. 1, 6, 12, 13 and 116. The stated desires of amici concerning the outcome of

was made clear by their own evidence, the copying of the respondents' programs represents a small portion of the total use of VTR's. It is, however, the taping of respondents own copyrighted programs that provides them with standing to charge Sony with contributory infringement. To prevail, they have the burden of proving that users of the Betamax have infringed their copyrights and that Sony should be held responsible for that infringement.

III

The Copyright Act does not expressly render anyone liable for infringement committed by another. In contrast, the Patent Act expressly brands anyone who "actively induces infringement of a patent" as an infringer, 35 U. S. C. § 271(b), and further imposes liability on certain individuals labeled "contributory" infringers, *id.*, § 271(c). The absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity.¹⁷ For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.

Such circumstances were plainly present in *Kalem Co. v. Harper Brothers*, 222 U. S. 55 (1911), the copyright decision of this Court on which respondents place their principal reliance. In *Kalem*, the Court held that the producer of an unauthorized film dramatization of the copyrighted book *Ben Hur* was liable for his sale of the motion picture to jobbers, who in turn arranged for the commercial exhibition of the film. Justice Holmes, writing for the Court, explained:

"The defendant not only expected but invoked by advertisement the use of its films for dramatic reproduction of the story. That was the most conspicuous purpose for which they could be used, and the one for which especially they were made. If the defendant did not contribute to the infringement it is impossible to do so except by taking part in the final act. It is liable on principles recognized in every part of the law." 222 U. S., at 63.

The use for which the item sold in *Kalem* had been "especially" made was, of course, to display the performance that had already been recorded upon it. The producer had personally appropriated the copyright owner's protected work and, as the owner of the tangible medium of expression upon which the protected work was recorded, authorized that use

this or any litigation are no substitute for a class action, are not evidence in the case, and do not influence our decision; we examine an *amicus curiae* brief solely for whatever aid it provides in analyzing the legal questions before us.

¹⁷As the District Court correctly observed, however, "the lines between direct infringement, contributory infringement, and vicarious liability are not clearly drawn. . . ." 480 F. Supp. 457-458. The lack of clarity in this area may, in part, be attributable to the fact that an infringer is not merely one who uses a work without authorization by the copyright owner, but also one who authorizes the use of a copyrighted work without actual authority from the copyright owner.

We note the parties' statements that the questions of petitioners' liability under the "doctrines" of "direct infringement" and "vicarious liability" are not nominally before this Court. Compare Respondents' Brief, at 9, n. 22, 41, n. 50 with Petitioners' Reply Brief, at 1, n. 2. We also observe, however, that reasoned analysis of respondents' unprecedented contributory infringement claim necessarily entails consideration of arguments and case law which may also be forwarded under the other labels, and indeed the parties to a large extent rely upon such arguments and authority in support of their respective positions on the issue of contributory infringement.

by his sale of the film to jobbers. But that use of the film was not his to authorize: the copyright owner possessed the exclusive right to authorize public performances of his work. Further, the producer personally advertised the unauthorized public performances, dispelling any possible doubt as to the use of the film which he had authorized.

Respondents argue that *Kalem* stands for the proposition that supplying the "means" to accomplish an infringing activity and encouraging that activity through advertisement are sufficient to establish liability for copyright infringement. This argument rests on a gross generalization that cannot withstand scrutiny. The producer in *Kalem* did not merely provide the "means" to accomplish an infringing activity; the producer supplied the work itself, albeit in a new medium of expression. Petitioners in the instant case do not supply Betamax consumers with respondents' works; respondents do. Petitioners supply a piece of equipment that is generally capable of copying the entire range of programs that may be televised: those that are uncopyrighted, those that are copyrighted but may be copied without objection from the copyright holder, and those that the copyright holder would prefer not to have copied. The Betamax can be used to make authorized or unauthorized uses of copyrighted works, but the range of its potential use is much broader than the particular infringing use of the film *Ben Hur* involved in *Kalem*. *Kalem* does not support respondents' novel theory of liability.

Justice Holmes stated that the producer had "contributed" to the infringement of the copyright, and the label "contributory infringement" has been applied in a number of lower court copyright cases involving an ongoing relationship between the direct infringer and the contributory infringer at the time the infringing conduct occurred. In such cases, as in other situations in which the imposition of vicarious liability is manifestly just, the "contributory" infringer was in a position to control the use of copyrighted works by others and had authorized the use without permission from the copyright owner.³ This case, however, plainly does not fall in

³The so-called "dance hall cases," *Famous Music Corp. v. Bass State Harness Horse Racing and Breeding Ass'n*, 554 F. 2d 1213 (CA1 1977) (racetrack retained infringer to supply music to paying customers); *KECA MUSIC, Inc. v. Douglas McGee's Co.*, 432 F. Supp. 72 (W. D. Mo. 1977) (cocktail lounge hired musicians to supply music to paying customers); *Dreamland Ball Room v. Shapiro, Bernstein & Co.*, 36 F. 2d 354 (CA7 1929) (dance hall hired orchestra to supply music to paying customers) are often contrasted with the so-called landlord-tenant cases, in which landlords who leased premises to a direct infringer for a fixed rental and did not participate directly in any infringing activity were found not to be liable for contributory infringement. E.g., *Deutsch v. Arnold*, 95 F. 2d 686 (CA2 1938).

In *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F. 2d 304 (CA2 1963) the owner of twenty-three chain stores retained the direct infringer to run its record departments. The relationship was structured as a licensing arrangement, so that the defendant bore none of the business risk of running the department. Instead, it received 10% or 12% of the direct infringer's gross receipts. The Court of Appeals concluded:

"[T]he dance-hall cases) and this one lie closer on the spectrum to the employer-employee model, than to the landlord-tenant model. On the particular facts before us, . . . Green's relationship to its infringing licensee, as well as its strong concern for the financial success of the phonograph record concession, renders it liable for the unauthorized sales of the 'bootleg' records.

"[T]he imposition of vicarious liability in the case before us cannot be deemed unduly harsh or unfair. Green has the power to police carefully the conduct of its concessionaire; our judgment will simply encourage it to do so, thus placing responsibility where it can and should be effectively exercised." *Id.*, at 308 (emphasis in original).

that category. The only contact between Sony and the users of the Betamax that is disclosed by this record occurred at the moment of sale. The District Court expressly found that "no employee of Sony, Sonam or DDBI had either direct involvement with the allegedly infringing activity or direct contact with purchasers of Betamax who recorded copyrighted works off-the-air." 450 F. Supp., at 460. And it further found that "there was no evidence that any of the copies made by Griffiths or the other individual witnesses in this suit were influenced or encouraged by [Sony's] advertisements." *Ibid.*

If vicarious liability is to be imposed on petitioners in this case, it must rest on the fact that they have sold equipment with constructive knowledge of the fact that their customers may use that equipment to make unauthorized copies of copyrighted material. There is no precedent in the law of copyright for the imposition of vicarious liability on such a theory. The closest analogy is provided by the patent law cases to which it is appropriate to refer because of the historic kinship between patent law and copyright law.⁴

In the Patent Code both the concept of infringement and the concept of contributory infringement are expressly de-

In *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 413 F. 2d 1159 (CA2 1971), the direct infringers retained the contributory infringer to manage their performances. The contributory infringer would contact each direct infringer, obtain the titles of the musical compositions to be performed, print the programs, and then send the programs to its own local organizations for distribution at the time of the direct infringement. *Id.*, at 1161. The Court of Appeals emphasized that the contributory infringer had actual knowledge that the artists it was managing were performing copyrighted works, was in a position to police the infringing conduct of the artists, and derived substantial benefit from the acts of the primary infringers. *Id.*, at 1161.

In *Seven Seas-Columbia Music, Inc. v. Mazer & Associates, Inc.*, 251 F. Supp. 399 (SDNY 1966), the direct infringer manufactured and sold copyrighted records. In denying a motion for summary judgment, the District Court held that the infringer's advertising agency, the local store that advertised the infringer's works, and the service agency that boxed and mailed the infringing goods could all be held liable if it could be demonstrated that they knew or should have known that they were dealing in illegal goods.

E.g., *United States v. Paramount Pictures*, 334 U. S. 481, 485 (1948); *Fox Film Corp. v. Daput*, 286 U. S. 106, 131 (1932); *Wharton and Donaldson v. Peters and Gregg*, 33 U. S. 591, 657-678 (1834). The two areas of the law, naturally, are not identical twins, and we express the caution which we have expressed in the past in applying doctrine formulated in one area to the other. See generally, *Mazer v. Stein*, 347 U. S. 201, 217-218 (1954); *Hobbs-Merrill Co. v. Straus*, 210 U. S. 339, 345 (1902).

We have consistently rejected the proposition that a similar kinship exists between copyright law and trademark law, and in the process of doing so have recognized the basic similarities between copyrights and patents. *The Trade-Mark Cases*, 100 U. S. 82, 91-92 (1879); see also, *United Drug Co. v. Rectanus Co.*, 248 U. S. 90, 97 (1918) (trademark right "has little or no analogy" to copyright or patent); *McLean v. Fleming*, 96 U. S. 245, 254 (1877); *Canal Co. v. Clark*, 13 Wad. 311, 322 (1871). Given the fundamental differences between copyright law and trademark law, in this copyright case we do not look to the standard for contributory infringement set forth in *Inwood Laboratories v. Ilex Laboratories*, 456 U. S. 844, 854-855 (1982), which was crafted for application in trademark cases. There we observed that a manufacturer or distributor could be held liable to the owner of a trademark if it intentionally induced a merchant down the chain of distribution to pass off its product as that of the trademark owner or if it continued to supply a product which could readily be passed off to a particular merchant whom it knew was mislabeling the product with the trademark owner's mark. If *Inwood's* narrow standard for contributory trademark infringement governed here, respondents' claim of contributory infringement would merit little discussion. Sony certainly does not "intentionally induce[]" its customers to make infringing uses of respondents' copyrights, nor does it supply its products to identified individuals known by it to be engaging in continuing infringement of respondents' copyrights. *See id.*, at 555.

defined by statute.²² The prohibition against contributory infringement is confined to the knowing sale of a component especially made for use in connection with a particular patent. There is no suggestion in the statute that one patentee may object to the sale of a product that might be used in connection with other patents. Moreover, the Act expressly provides that the sale of a "staple article or commodity of commerce suitable for substantial noninfringing use" is not contributory infringement.

When a charge of contributory infringement is predicated entirely on the sale of an article of commerce that is used by the purchaser to infringe a patent, the public interest in access to that article of commerce is necessarily implicated. A finding of contributory infringement does not, of course, remove the article from the market altogether; it does, however, give the patentee effective control over the sale of that item. Indeed, a finding of contributory infringement is normally the functional equivalent of holding that the disputed article is within the monopoly granted to the patentee.²³

For that reason, in contributory infringement cases arising under the patent laws the Court has always recognized the critical importance of not allowing the patentee to extend his monopoly beyond the limits of his specific grant. These cases deny the patentee any right to control the distribution of unpatented articles unless they are "unusually for any commercial noninfringing use." *Dawson Chemical Co. v. Rohm & Hass Co.*, 448 U. S. 176, 198 (1980). Unless a commodity "has no use except through practice of the patented method," *ibid.*, the patentee has no right to claim that its distribution constitutes contributory infringement. "To form the basis for contributory infringement the item must almost be uniquely suited as a component of the patented invention." P. Rosenberg, *Patent Law Fundamentals* § 17.02[2] (1982). "[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." *Henry v. A. B. Dick Co.*, 224 U. S. 1,

48 (1912), overruled on other grounds, *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502, 517 (1917).

We recognize there are substantial differences between the patent and copyright laws. But in both areas the contributory infringement doctrine is grounded on the recognition that adequate protection of a monopoly may require the courts to look beyond actual duplication of a device or publication to the products or activities that make such duplication possible. The staple article of commerce doctrine must strike a balance between a copyright holder's legitimate demand for effective—not merely symbolic—protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce. Accordingly, the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.

IV

The question is thus whether the Betamax is capable of commercially significant noninfringing uses. In order to resolve that question, we need not explore all the different potential uses of the machine and determine whether or not they would constitute infringement. Rather, we need only consider whether on the basis of the facts as found by the district court a significant number of them would be non-infringing. Moreover, in order to resolve this case we need not give precise content to the question of how much use is commercially significant. For one potential use of the Betamax plainly satisfies this standard, however it is understood: private, noncommercial time-shifting in the home. It does so both (A) because respondents have no right to prevent other copyright holders from authorizing it for their programs, and (B) because the District Court's factual findings reveal that even the unauthorized home time-shifting of respondents' programs is legitimate fair use.

A. Authorized Time Shifting

Each of the respondents owns a large inventory of valuable copyrights, but in the total spectrum of television programming their combined market share is small. The exact percentage is not specified, but it is well below 10%.²⁴ If they were to prevail, the outcome of this litigation would have a significant impact on both the producers and the viewers of the remaining 90% of the programming in the Nation. No doubt, many other producers share respondents' concern about the possible consequences of unrestricted copying. Nevertheless the findings of the District Court make it clear that time-shifting may enlarge the total viewing audience and that many producers are willing to allow private time-shifting to continue, at least for an experimental time period.²⁵

²² 17 U. S. C. § 271 provides:

"(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

"(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

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

"(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement."

It seems extraordinary to suggest that the Copyright Act confers upon all copyright owners collectively, much less the two respondents in this case, the exclusive right to distribute VTR's simply because they may be used to infringe copyrights. That, however, is the logical implication of their claim. The request for an injunction below indicates that respondents seek, in effect, to declare VTR's contraband. Their suggestion in this Court that a continuing royalty pursuant to a judicially created compulsory license would be an acceptable remedy merely indicates that respondents, for their part, would be willing to license their claimed monopoly interest in VTR's to petitioners in return for a royalty.

²⁴ The record suggests that Disney's programs at the time of trial consisted of approximately one hour a week of network television and one syndicated series. Universal's percentage in the Los Angeles market on commercial television stations was under 5%. See Tr. 512-533, 549-550.

²⁵ The District Court did not make any explicit findings with regard to how much broadcasting is wholly uncopyrighted. The record does include testimony that at least one movie—*My Man Godfrey*—falls within that category. Tr. 2300-2301, and certain broadcasts produced by the federal government are also uncopyrighted. See 17 U. S. C. § 1105. Cf. *Schapper v. Foley*, 667 F. 2d 102 (CA10, 1981) (explaining distinction between work produced by the government and work commissioned by the government). To the extent such broadcasting is now significant, it further bolsters our conclusion. Moreover, since copyright protection is not perpetual, the number of audiovisual works in the public domain necessarily increases each year.

The District Court found:

"Even if it were deemed that home-use recording of copyrighted material constituted infringement, the Beta-max could still legally be used to record noncopyrighted material or material whose owners consented to the copying. An injunction would deprive the public of the ability to use the Betamax for this noninfringing off-the-air recording.

"Defendants introduced considerable testimony at trial about the potential for such copying of sports, religious, educational and other programming. This included testimony from representatives of the Offices of the Commissioners of the National Football, Basketball, Baseball and Hockey Leagues and Associations, the Executive Director of National Religious Broadcasters and various educational communications agencies. Plaintiffs attack the weight of the testimony offered and also contend that an injunction is warranted because infringing uses outweigh noninfringing uses."

"Whatever the future percentage of legal versus illegal home-use recording might be, an injunction which seeks to deprive the public of the very tool or article of commerce capable of some noninfringing use would be an extremely harsh remedy, as well as one unprecedented in copyright law." 480 F. Supp., at 468.

Although the District Court made these statements in the context of considering the propriety of injunctive relief, the statements constitute a finding that the evidence concerning "sports, religious, educational, and other programming" was sufficient to establish a significant quantity of broadcasting whose copying is now authorized, and a significant potential for future authorized copying. That finding is amply supported by the record. In addition to the religious and sports officials identified explicitly by the District Court,² two items in the record deserve specific mention.

First is the testimony of John Kenaston, the station manager of Channel 58, an educational station in Los Angeles affiliated with the Public Broadcasting Service. He explained and authenticated the station's published guide to its programs.³ For each program, the guide tells whether unlimited home taping is authorized, home taping is authorized subject to certain restrictions (such as erasure within seven days), or home taping is not authorized at all. The Spring 1978 edition of the guide described 107 programs. Sixty-two of those programs or 58% authorize some home taping. Twenty-one of them or almost 20% authorize unrestricted home taping.⁴

Second is the testimony of Fred Rogers, president of the corporation that produces and owns the copyright on *Mr. Rogers' Neighborhood*. The program is carried by more public television stations than any other program. Its audience numbers over 3,000,000 families a day. He testified that he had absolutely no objection to home taping for non-

commercial use and expressed the opinion that it is a real service to families to be able to record children's programs and to show them at appropriate times.⁵

If there are millions of owners of VTR's who make copies of televised sports events, religious broadcasts, and educational programs such as *Mister Rogers' Neighborhood*, and if the proprietors of those programs welcome the practice, the business of supplying the equipment that makes such copying feasible should not be stilled simply because the equipment is used by some individuals to make unauthorized reproductions of respondents' works. The respondents do not represent a class composed of all copyright holders. Yet a finding of contributory infringement would inevitably frustrate the interests of broadcasters in reaching the portion of their audience that is available only through time-shifting.

Of course, the fact that other copyright holders may welcome the practice of time-shifting does not mean that respondents should be deemed to have granted a license to copy their programs. Third party conduct would be wholly irrelevant in an action for direct infringement of respondents' copyrights. But in an action for contributory infringement against the seller of copying equipment, the copyright holder may not prevail unless the relief that he seeks affects only his programs, or unless he speaks for virtually all copyright holders with an interest in the outcome. In this case, the record makes it perfectly clear that there are many important producers of national and local television programs who find nothing objectionable about the enlargement in the size of the television audience that results from the practice of time-shifting for private home use.⁶ The seller of the equipment

² Some public stations, as well as commercial stations, program the "Neighborhood" at hours when some children cannot see it. I think that it's a real service to families to be able to record such programs and show them at appropriate times. I have always felt that with the advent of all of this new technology that allows people to tape the "Neighborhood" off-the-air, and I'm speaking for the "Neighborhood" because that's what I produce, that they then become much more active in the programming of their family's television life. Very frankly, I am opposed to people being programmed by others. My whole approach in broadcasting has always been "You are an important person just the way you are. You can make healthy decisions." Maybe I'm going on too long, but I just feel that anything that allows a person to be more active in the control of his or her life, in a healthy way, is important." T. R. 2920-2921. See also Def. Exh. P1, p. 25.

³ It may be rare for large numbers of copyright owners to authorize duplication of their works without demanding a fee from the copier. In the context of public broadcasting, however, the user of the copyrighted work is not required to pay a fee for access to the underlying work. The traditional method by which copyright owners capitalize upon the television medium—commercially sponsored free public broadcast over the public airwaves—is predicated upon the assumption that compensation for the value of displaying the works will be received in the form of advertising revenues.

In the context of television programming, some producers evidently believe that permitting home viewers to make copies of their works off the air actually enhances the value of their copyrights. Irrespective of their reasons for authorizing the practice, they do so, and in significant enough numbers to create a substantial market for a non-infringing use of the Sony VTR's. No one could dispute the legitimacy of that market if the producers had authorized home taping of their programs in exchange for a license fee paid directly by the home user. The legitimacy of that market is not compromised simply because these producers have authorized home taping of their programs without demanding a fee from the home user. The copyright law does not require a copyright owner to charge a fee for the use of his works, and as this record clearly demonstrates, the owner of a copyright may well have economic or noneconomic reasons for permitting certain kinds of copying to occur without receiving direct compensation from the copier. It is not the role of the courts to tell copyright holders the best way for them to exploit their copyrights; even if respondents' competitors were ill-advised in authorizing home videotaping, that would not change the fact that they have created a substantial market for a paradigmatic non-infringing use of petitioners' product.

weighing the legal use against the legal uses outweigh illegal uses.

Analogous to Home Station.

Legal uses

⁴ See Tr. 2447-2450 (Alexander Hadden, Major League Baseball); Tr. 2450, 2486-2487 (Jay Moyer, National Football League); Tr. 2515-2516 (David Stern, National Basketball Association); Tr. 2530-2534 (Gilbert Stein, National Hockey League); Tr. 2543-2552 (Thomas Hansen, National Collegiate Athletic Association); Tr. 2595-2572 (Benjamin Armstrong, National Religious Broadcasters). Those officials were authorized to be the official spokespersons for their respective institutions in this litigation. Tr. 2432, 2479, 2509-2510, 2530, 2548, 2561. See Fed. Rules Civ. Proc. 30(b)(6).

⁵ Tr. 2862-2902, Def. Exh. P1.

⁶ See also Tr. 2831-2844 (similar testimony by executive director of New Jersey Public Broadcasting Authority). Cf. Tr. 2592-2605 (testimony by chief of New York Education Department's Bureau of Mass Communications approving home taping for educational purposes).

that expands those producers' audiences cannot be a contributory infringer if, as is true in this case, it has had no direct involvement with any infringing activity.

B. Unauthorized Time-Shifting

Even unauthorized uses of a copyrighted work are not necessarily infringing. An unlicensed use of the copyright is not an infringement unless it conflicts with one of the specific exclusive rights conferred by the copyright statute. *Twentieth Century Music Corp. v. Aiken*, 422 U. S. 151, 154-155. Moreover, the definition of exclusive rights in § 106 of the present Act is prefaced by the words "subject to sections 107 through 118." Those sections describe a variety of uses of copyrighted material that "are not infringements of copyright notwithstanding the provisions of § 106." The most pertinent in this case is § 107, the legislative endorsement of the doctrine of "fair use."²

That section identifies various factors³ that enable a Court to apply an "equitable rule of reason" analysis to particular claims of infringement.⁴ Although not conclusive, the first

² The Copyright Act of 1909, 35 Stat. 1075, did not have a "fair use" provision. Although that Act's compendium of exclusive rights "to print, reprint, publish, copy, and vend the copyrighted work" was broad enough to encompass virtually all potential interactions with a copyrighted work, the statute was never so construed. The courts simply refused to read the statute literally in every situation. When Congress amended the statute in 1976, it indicated that it "intended to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way." House Report No. 94-1476, 94th Cong., 2d Sess., p. 96.

Section 107 provides:

"Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

"(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit 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." 17 U. S. C. § 107.

The House Report expressly stated that the fair use doctrine is an "equitable rule of reason" in its explanation of the fair use section:

"Although the courts have considered and ruled upon the fair use doctrine over and over again, no real definition of the concept has ever emerged. Indeed, since the doctrine is an equitable rule of reason, no generally applicable definition is possible, and each case raising the question must be decided on its own facts. . . .

General intention behind the provision

"The statement of the fair use doctrine in section 107 offers some guidance to users in determining when the principles of the doctrine apply. However, the endless variety of situations and combinations of circumstances that can arise in particular cases precludes the formulation of exact rules in the statute. The bill endorses the purpose and general scope of the judicial doctrine of fair use, but there is no disposition to freeze the doctrine in the statute, especially during a period of rapid technological change. Beyond a very broad statutory explanation of what fair use is and some of the criteria applicable to it, the courts must be free to adapt the doctrine to particular situations on a case-by-case basis." H. Rep. No. 94-1476, pp. 65-66.

The Senate Committee similarly eschewed a rigid, bright line approach to fair use. The Senate Report endorsed the view "that off-the-air recording for convenience" could be considered "fair use" under some circumstances, although it then made it clear that it did not intend to suggest that off-the-air recording for convenience should be deemed fair use under any circumstances imaginable. Senate Report 94-473, pp. 65-66. The latter qualifying statement is quoted by the dissent, *post*, at 25, and if read in isolation, would indicate that the Committee intended to condemn all off-the-air recording for convenience. Read in context, however, it is quite clear that that was the farthest thing from the Committee's intention.

factor requires that "the commercial or nonprofit character of an activity" be weighed in any fair use decision.⁵ If the Betamax were used to make copies for a commercial or profit-making purpose, such use would presumptively be unfair. The contrary presumption is appropriate here, however, because the District Court's findings plainly establish that time-shifting for private home use must be characterized as a noncommercial, nonprofit activity. Moreover, when one considers the nature of a televised copyrighted audiovisual work, see 17 U. S. C. § 107(2), and that timeshifting merely enables a viewer to see such a work which he had been invited to witness in its entirety free of charge, the fact that the entire work is reproduced, see *id.*, at § 107(3), does not have its ordinary effect of militating against a finding of fair use.⁶

This is not, however, the end of the inquiry because Congress has also directed us to consider "the effect of the use upon the potential market for or value of the copyrighted work." *Id.*, at § 107(4). The purpose of copyright is to create incentives for creative effort. Even copying for noncommercial purposes may impair the copyright holder's ability to obtain the rewards that Congress intended him to have. But a use that has no demonstrable effect upon the potential market for, or the value of, the copyrighted work need not be prohibited in order to protect the author's incentive to create. The prohibition of such noncommercial uses would merely inhibit access to ideas without any countervailing benefit.⁷

⁵ "The Committee has amended the first of the criteria to be considered—the purpose and character of the use—to state explicitly that this factor includes a consideration of "whether such use is of a commercial nature or is for nonprofit educational purposes." This amendment is not intended to be interpreted as any sort of not-for-profit limitation on educational uses of copyrighted works. It is an express recognition that, as under the present law, the commercial or non-profit character of an activity, while not conclusive with respect to fair use, can and should be weighed along with other factors in fair use decisions." H. Rep. No. 94-1476, p. 66.

⁶ It has been suggested that "consumptive uses of copyrights by home VTR users are commercial even if the consumer does not sell the home-made tape because the consumer will not buy tapes separately sold by the copyright holder." Home Recording of Copyrighted Works: Hearing Before Subcommittee on Courts, Civil Liberties and the Administration of Justice of the House Committee on the Judiciary, 97th Congress, 2d Session, pt. 2, p. 250 (1982) (memorandum of Prof. Laurence H. Tribe). Furthermore, "(t)he error in excusing such theft as noncommercial," we are told, "can be seen by simple analogy: jewel theft is not converted into a noncommercial veniality if stolen jewels are simply worn rather than sold." *Ibid.* The premise and the analogy are indeed simple, but they add nothing to the argument. The use to which stolen jewelry is put is quite irrelevant in determining whether depriving its true owner of his present possessory interest in it is venial; because of the nature of the item and the true owner's interests in physical possession of it, the law finds the taking objectionable even if the thief does not use the item at all. Theft of a particular item of personal property of course may have commercial significance, for the thief deprives the owner of his right to sell that particular item to any individual. Timeshifting does not even remotely entail comparable consequences to the copyright owner. Moreover, the timeshifter no more steals the program by watching it once than does the live viewer, and the live viewer is no more likely to buy pre-recorded videotapes than is the timeshifter. Indeed, no live viewer would buy a pre-recorded videotape if he did not have access to a VTR.

⁷ Cf. *Latman, Fair Use of Copyrighted Works* (1958), reprinted as Study No. 14 in Senate Judiciary Committee, Copyright Law Revision, Studies Prepared for the Subcommittee on Patents, Trademarks, and Copyrights, 80th Cong., 2d Sess., p. 30 (1960):

"In certain situations, the copyright owner suffers no substantial harm from the use of the work. . . . Here again, is the partial marriage between the doctrine of fair use and the legal maxim *de minimis non curat lex*."

Thus, although every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright, noncommercial uses are a different matter. A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work. Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists. If the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated.

In this case, respondents failed to carry their burden with regard to home time-shifting. The District Court described respondent evidence as follows:

"Plaintiffs' experts admitted at several points in the trial that the time-shifting without librarying would result in 'not a great deal of harm.' Plaintiffs' greatest concern about time-shifting is with 'a point of important philosophy that transcends even commercial judgment.' They fear that with any Betamax usage, 'invisible boundaries' are passed: 'the copyright owner has lost control over his program.'" 480 F. Supp., at 467.

Later in its opinion, the District Court observed:

"Most of plaintiffs' predictions of harm hinge on speculation about audience viewing patterns and ratings, a measurement system which Sidney Sheinberg, MCA's president, calls a 'black art' because of the significant level of imprecision involved in the calculations." *Id.*, at 469.²

There was no need for the District Court to say much about past harm. "Plaintiffs have admitted that no actual harm to their copyrights has occurred to date." *Id.*, at 451.

On the question of potential future harm from time-shifting, the District Court offered a more detailed analysis of the evidence. It rejected respondents' "fear that persons 'watching' the original telecast of a program will not be measured in the live audience and the ratings and revenues will decrease," by observing that current measurement technology allows the Betamax audience to be reflected. *Id.*, at 466.³ It rejected respondents' prediction "that live televi-

² See also 480 F. Supp., at 451:

"It should be noted, however, that plaintiffs' argument is more complicated and speculative than was the plaintiff's in *Williams & Wilkins*. . . . Here, plaintiffs ask the court to find harm based on many more assumptions. . . . As is discussed more fully in Part IV, *infra*, some of these assumptions are based on neither fact nor experience, and plaintiffs admit that they are to some extent inconsistent and illogical."

³ "There was testimony at trial, however, that Nielsen Ratings has already developed the ability to measure when a Betamax in a sample home is recording the program. Thus, the Betamax will be measured as a part of the live audience. The later diary can augment that measurement with information about subsequent viewing." 480 F. Supp., at 466.

In a separate section, the District Court rejected plaintiffs' suggestion that the commercial attractiveness of television broadcasts would be diminished because Betamax owners would use the pause button or fast-forward control to avoid viewing advertisements:

"It must be remembered, however, that to omit commercials, Betamax owners must view the program, including the commercials, while recording. To avoid commercials during playback, the viewer must fast-forward and, for the most part, guess as to when the commercial has passed. For

sion or movie audiences will decrease as more people watch Betamax tapes as an alternative," with the observation that "[t]here is no factual basis for [the underlying] assumption." *Ibid.* It rejected respondents' "fear that time-shifting will reduce audiences for telecast reruns," and concluded instead that "given current market practices, this should aid plaintiffs rather than harm them." *Ibid.* And it declared that respondents' suggestion "that theater or film rental exhibition of a program will suffer because of time-shift recording of that program" "lacks merit." 480 F. Supp., at 467.⁴

After completing that review, the District Court restated its overall conclusion several times, in several different ways. "Harm from time-shifting is speculative and, at best, minimal." *Ibid.* "The audience benefits from the time-shifting capability have already been discussed. It is not implausible that benefits could also accrue to plaintiffs, broadcasters, and advertisers, as the Betamax makes it possible for more persons to view their broadcasts." *Ibid.* "No likelihood of harm was shown at trial, and plaintiffs admitted that there had been no actual harm to date." *Id.*, at 468-469. "Testimony at trial suggested that Betamax may require adjustments in marketing strategy, but it did not establish even a likelihood of harm." *Id.*, at 469. "Television production by plaintiffs today is more profitable than it has ever been, and, in five weeks of trial, there was no concrete evidence to suggest that the Betamax will change the studios' financial picture." *Ibid.*

The District Court's conclusions are buttressed by the fact that to the extent time-shifting expands public access to freely broadcast television programs, it yields societal benefits. Earlier this year, in *Community Television of Southern California v. Gottfried*, — U. S. —, —, n. 12 (1983), [we acknowledged the public interest in making television broadcasting more available.] Concededly, that interest is not unlimited. But it supports an interpretation of

most recordings, either practice may be too tedious. As defendants' survey showed, 92% of the programs were recorded with commercials and only 25% of the owners fast-forward through them. Advertisers will have to make the same kinds of judgments they do now about whether persons viewing televised programs actually watch the advertisements which interrupt them." *Id.*, at 469.

⁴ "Here plaintiffs assume that people will view copies when they would otherwise be watching television or going to the movie theater. There is no factual basis for this assumption. It seems equally likely that Betamax owners will play their tapes when there is nothing on television they wish to see and no movie they want to attend. Defendants' survey does not show any negative effect of Betamax ownership on television viewing or theater attendance." *Ibid.*

⁵ "The underlying assumptions here are particularly difficult to accept. Plaintiffs explain that the Betamax increases access to the original televised material and that the more people there are in this original audience, the fewer people the rerun will attract. Yet current marketing practices, including the success of syndication, show just the opposite. Today, the larger the audience for the original telecast, the higher the price plaintiffs can demand from broadcasters for rerun rights. There is no survey within the knowledge of this court to show that the rerun audience is comprised of persons who have not seen the program. In any event, if ratings can reflect Betamax recording, original audiences may increase and, given market practices, this should aid plaintiffs rather than harm them." *Ibid.*

⁶ "This suggestion lacks merit. By definition, time-shift recording entails viewing and erasing, so the program will no longer be on tape when the later theater run begins. Of course, plaintiffs may fear that the Betamax will keep the tapes long enough to satisfy all their interest in the program and will, therefore, not patronize later theater exhibitions. To the extent this practice involves librarying, it is addressed in section V. C. *infra*. It should also be noted that there is no evidence to suggest that the public interest in later theatrical exhibitions of motion pictures will be reduced any more by Betamax recording than it already is by the television broadcast of the film." 480 F. Supp., at 467.

the concept of "fair use" that requires the copyright holder to demonstrate some likelihood of harm before he may condemn a private act of time-shifting as a violation of federal law.

When these factors are all weighed in the "equitable rule of reason" balance, we must conclude that this record amply supports the District Court's conclusion that home time-shifting is fair use. In light of the findings of the District Court regarding the state of the empirical data, it is clear that the Court of Appeals erred in holding that the statute as presently written bars such conduct.¹⁷

In summary, the record and findings of the District Court lead us to two conclusions. First, Sony demonstrated a significant likelihood that substantial numbers of copyright holders who license their works for broadcast on free television would not object to having their broadcasts time-shifted by private viewers. And second, respondents failed to demonstrate that time-shifting would cause any likelihood of non-minimal harm to the potential market for, or the value of, their copyrighted works. The Betamax is, therefore, capable of substantial noninfringing uses. Sony's sale of such equipment to the general public does not constitute contributory infringement of respondent's copyrights.

V

"The direction of Art. I is that Congress shall have the power to promote the progress of science and the useful arts. When, as here, the Constitution is permissive, the sign of how far Congress has chosen to go can come only from Congress." *Deepsouth Packing Co. v. Natram Corp.*, 406 U. S. 518, 530 (1972).

One may search the Copyright Act in vain for any sign that the elected representatives of the millions of people who watch television every day have made it unlawful to copy a program for later viewing at home, or have enacted a flat

¹⁷ The Court of Appeals chose not to engage in any "equitable rule of reason" analysis in this case. Instead, it assumed that the category of "fair use" is rigidly circumscribed by a requirement that every such use must be "productive." It therefore concluded that copying a television program merely to enable the viewer to receive information or entertainment that he would otherwise miss because of a personal scheduling conflict could never be fair use. That understanding of "fair use" was erroneous.

Congress has plainly instructed us that fair use analysis calls for a sensitive balancing of interests. The distinction between "productive" and "unproductive" uses may be helpful in calibrating the balance, but it is not wholly determinative. Although copying to promote a scholarly endeavor certainly has a stronger claim to fair use than copying to avoid interrupting a poker game, the question is not simply two-dimensional. For one thing, it is not true that all copyrights are fungible. Some copyrights govern material with broad potential secondary markets. Such material may well have a broader claim to protection because of the greater potential for commercial harm. Copying a news broadcast may have a stronger claim to fair use than copying a motion picture. And, of course, not all uses are fungible. Copying for commercial gain has a much weaker claim to fair use than copying for personal enrichment. But the notion of social "productivity" cannot be a complete answer to this analysis. A teacher who copies to prepare lecture notes is clearly productive. But so is a teacher who copies for the sake of broadening his personal understanding of his specialty. Or a legislator who copies for the sake of broadening her understanding of what her constituents are watching; or a constituent who copies a news program to help make a decision on how to vote.

Making a copy of a copyrighted work for the convenience of a blind person is expressly identified by the House Committee Report as an example of fair use, with no suggestion that anything more than a purpose to entertain or to inform need motivate the copying. In a hospital setting, using a VTR to enable a patient to see programs he would otherwise miss has no productive purpose other than contributing to the psychological well-being of the patient. Virtually any time-shifting that increases viewer access to television programming may result in a comparable benefit. The statutory language does not identify any dichotomy between productive and nonproductive time-shifting, but does require consideration of the economic consequences of copying.

prohibition against the sale of machines that make such copying possible.

It may well be that Congress will take a fresh look at this new technology, just as it so often has examined other innovations in the past. But it is not our job to apply laws that have not yet been written. Applying the copyright statute, as it now reads, to the facts as they have been developed in this case, the judgment of the Court of Appeals must be reversed.

It is so ordered.

JUSTICE BLACKMUN, with whom JUSTICE MARSHALL, JUSTICE POWELL, and JUSTICE REHNQUIST-join, dissenting.

A restatement of the facts and judicial history of this case is necessary, in my view, for a proper focus upon the issues. Respondents' position is hardly so "unprecedented," *ante*, at 2, in the copyright law, nor does it really embody a "gross generalization," *ante*, at 17, or a "novel theory of liability," *ante*, at 18, and the like, as the Court, in belittling their claims, describes the efforts of respondents.

I

The introduction of the home videotape recorder (VTR) upon the market has enabled millions of Americans to make recordings of television programs in their homes, for future and repeated viewing at their own convenience. While this practice has proved wildly popular with owners of television sets and VTRs, it understandably has been a matter of concern for the holders of copyrights in the recorded programs. A result is the present litigation, raising the issues whether the home recording of a copyrighted television program is an infringement of the copyright, and, if so, whether the manufacturers and distributors of VTRs are liable as contributory infringers. I would hope that these questions ultimately will be considered seriously and in depth by the Congress and be resolved there, despite the fact that the Court's decision today provides little incentive for congressional action. Our task in the meantime, however, is to resolve these issues as best we can in the light of ill-fitting existing copyright law.

It is no answer, of course, to say and stress, as the Court does, this Court's "consistent deference to Congress" whenever "major technological innovations" appear. *Ante*, at 12. Perhaps a better and more accurate description is that the Court has tended to evade the hard issues when they arise in the area of copyright law. I see no reason for the Court to be particularly pleased with this tradition or to continue it. Indeed, it is fairly clear from the legislative history of the 1976 Act that Congress meant to change the old pattern and enact a statute that would cover new technologies, as well as old.

II

In 1976, respondents Universal City Studios, Inc., and Walt Disney Productions (Studios) brought this copyright infringement action in the United States District Court for the Central District of California against, among others, petitioners Sony Corporation, a Japanese corporation, and Sony Corporation of America, a New York corporation, the manufacturer and distributor, respectively, of the Betamax VTR. The Studios sought damages, profits, and a wide-ranging injunction against further sales or use of the Betamax or Betamax tapes.

The Betamax, like other VTRs, presently is capable of recording television broadcasts off the air on videotape cas-

ettes, and playing them back at a later time.² Two kinds of Betamax usage are at issue here.³ The first is "time-shifting," whereby the user records a program in order to watch it at a later time, and then records over it, and thereby erases the program, after a single viewing. The second is "library-building," in which the user records a program in order to keep it for repeated viewing over a longer term. Sony's advertisements, at various times, have suggested that Betamax users "record favorite shows" or "build a library." Sony's Betamax advertising has never contained warnings about copyright infringement, although a warning does appear in the Betamax operating instructions.

The Studios produce copyrighted "movies" and other works that they release to theaters and license for television broadcast. They also rent and sell their works on film and on prerecorded videotapes and videodiscs. License fees for television broadcasts are set according to audience ratings, compiled by rating services that do not measure any playbacks of videotapes. The Studios make the serious claim that VTR recording may result in a decrease in their revenue from licensing their works to television and from marketing them in other ways.

After a 5-week trial, the District Court, with a detailed opinion, ruled that home VTR recording did not infringe the Studios' copyrights under either the Act of March 4, 1909 (1909 Act), 35 Stat. 1075, as amended (formerly codified as 17 U. S. C. § 1 *et seq.* (1976 ed.)), or the Copyright Revision Act of 1976 (1976 Act), 90 Stat. 2541, 17 U. S. C. § 101 *et seq.* (1982 ed.).⁴ The District Court also held that even if home VTR recording were an infringement, Sony could not be held liable under theories of direct infringement, contributory infringement, or vicarious liability. Finally, the court concluded that an injunction against sales of the Betamax would be inappropriate even if Sony were liable under one or more of those theories. 480 F. Supp. 429 (1979).

The United States Court of Appeals for the Ninth Circuit reversed in virtually every respect. 659 F. 2d 963 (1981). It held that the 1909 Act and the 1976 Act contained no implied exemption for "home use" recording, that such recording was not "fair use," and that the use of the Betamax to record the Studios' copyrighted works infringed their copyrights. The Court of Appeals also held Sony liable for contributory infringement, reasoning that Sony knew and anticipated that the Betamax would be used to record copyrighted

material off the air, and that Sony, indeed, had induced, caused, or materially contributed to the infringing conduct. The Court of Appeals remanded the case to the District Court for appropriate relief; it suggested that the District Court could consider the award of damages or a continuing royalty in lieu of an injunction. *Id.*, at 976.

III

The Copyright Clause of the Constitution, Art. I, § 8, cl. 8, empowers Congress "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." This Nation's initial copyright statute was passed by the First Congress. Entitled "An Act for the encouragement of learning," it gave an author "the sole right and liberty of printing, reprinting, publishing and vending" his "map, chart, book or books" for a period of 14 years. Act of May 31, 1790, § 1, 1 Stat. 124. Since then, as the technology available to authors for creating and preserving their writings has changed, the governing statute has changed with it. By many amendments, and by complete revisions in 1831, 1870, 1909, and 1976,⁵ authors' rights have been expanded to provide protection to any "original works of authorship fixed in any tangible medium of expression," including "motion pictures and other audiovisual works." 17 U. S. C. § 102(a).⁶

Section 106 of the 1976 Act grants the owner of a copyright a variety of exclusive rights in the copyrighted work, including the right "to reproduce the copyrighted work in copies or

² Act of Feb. 3, 1831, ch. 16, 4 Stat. 498; Act of Feb. 3, 1874, ch. 7-11, 16 Stat. 212-217; Act of Mar. 4, 1909, 35 Stat. 1075 (former); Copyright Act of 1976 (1976 Act), 90 Stat. 2541 *et seq.* (1976 ed.); Copyright Revision Act of 1976 (1976 Act), 90 Stat. 2541 (codified as 17 U. S. C. § 101 *et seq.* (1982 ed.)).

³ Section 102(a) provides:

"Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

- (1) literary works;
- (2) musical works, including any accompanying words;
- (3) dramatic works, including any accompanying music;
- (4) pantomimes and choreographic works;
- (5) pictorial, graphic, and sculptural works;
- (6) motion pictures and other audiovisual works; and
- (7) sound recordings."

Definitions of terms used in § 102(a)(6) are provided by § 101:

"Audiovisual works" are "works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as film or tapes, in which the works are embodied." And "motion pictures" are "audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any." Most commercial television programs, if fixed on film or tape at the time of broadcast or before, qualify as "audiovisual works." Since the categories set forth in § 102(a) are not mutually exclusive, a particular television program may also qualify for protection as a dramatic, musical, or other type of work.

⁵ Section 106 provides:

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

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and

⁴ The Betamax has three primary components: a tuner that receives television ("RF") signals broadcast over the airwaves; an adapter that converts the RF signals into audio-video signals; and a recorder that places the audio-video signals on magnetic tape. Sony also manufactures VTRs without built-in tuners; these are capable of playing back prerecorded tapes and recording home movies on videotape, but cannot record off the air. Since the Betamax has its own tuner, it can be used to record off one channel while another channel is being watched.

The Betamax is available with auxiliary features, including a timer, a pause control, and a fast-forward control; these allow Betamax owners to record programs without being present, to avoid (if they are present) recording commercial messages, and to skip over commercials while playing back the recording. Videotape is reusable; the user erases its record by recording over it.

⁵ This case involves only the home recording for home use of television programs broadcast free over the airwaves. No issue is raised concerning cable or pay television, or the sharing or trading of tapes.

⁶ At the trial, the Studios proved 32 individual instances where their copyrighted works were recorded on Betamax VTRs. Two of these instances occurred after January 1, 1978, the primary effective date of the 1976 Act; all the others occurred while the 1909 Act was still effective. My analysis focuses primarily on the 1976 Act, but the principles governing copyright protection for these works are the same under either Act.

phonorecords."¹⁷ This grant expressly is made subject to §§ 107-118, which create a number of exemptions and limitations on the copyright owner's rights. The most important of these sections, for present purposes, is § 107; that section states that "the fair use of a copyrighted work . . . is not an infringement of copyright."¹⁸

The 1976 Act, like its predecessors,¹⁹ does not give the copyright owner full and complete control over all possible uses of his work. If the work is put to some use not enumerated in § 106, the use is not an infringement. See *Fortrightly Corp. v. United Artists*, 392 U.S. 390, 393-395 (1968). Thus, before considering whether home videotaping comes within the scope of the fair use exemption, one first must inquire whether the practice appears to violate the exclusive right, granted in the first instance by § 106(1), "to reproduce the copyrighted work in copies or phonorecords."

A

Although the word "copies" is in the plural in § 106(1), there can be no question that under the Act the making of even a single unauthorized copy is prohibited. The Senate and House Reports explain: "The references to 'copies or phonorecords,' although in the plural, are intended here and

throughout the bill to include the singular (1 U. S. C. § 11)."²⁰ S. Rep. No. 94-473, p. 58 (1975) (1975 Senate Report); H. R. Rep. No. 94-1476, p. 61 (1976) (1976 House Report). The Reports then describe the reproduction right established by § 106(1):

"[T]he right 'to reproduce the copyrighted work in copies or phonorecords' means the right to produce a material object in which the work is duplicated, transcribed, imitated, or simulated in a fixed form from which it can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. As under the present law, a copyrighted work would be infringed by reproducing it in whole or in any substantial part, and by duplicating it exactly or by imitation or simulation." 1975 Senate Report 58; 1976 House Report 61.

The making of even a single videotape recording at home falls within this definition; the VTR user produces a material object from which the copyrighted work later can be perceived. Unless Congress intended a special exemption for the making of a single copy for personal use, I must conclude that VTR recording is contrary to the exclusive rights granted by § 106(1).

The 1976 Act and its accompanying reports specify in some detail the situations in which a single copy of a copyrighted work may be made without infringement concerns. Section 108(a), for example, permits a library or archives "to reproduce no more than one copy or phonorecord of a work" for a patron, but only under very limited conditions; an entire work, moreover, can be copied only if it cannot be obtained elsewhere at a fair price.²¹ § 108(e); see also § 112(a) (broadcaster may "make no more than one copy or phonorecord of a particular transmission program," and only under certain conditions). In other respects, the making of single copies is permissible only within the limited confines of the fair use doctrine. The Senate report, in a section headed "Single and multiple copying," notes that the fair use doctrine would permit a teacher to make a single copy of a work for use in the classroom, but only if the work was not a "sizable" one such as a novel or treatise. 1975 Senate Report 63-64; accord, 1976 House Report 68-69, 71. Other situations in which the making of a single copy would be fair use are described in the House and Senate reports.²² But neither the statute nor its legislative history suggests any intent to create a general exemption for a single copy made for personal or private use.

Indeed, it appears that Congress considered and rejected the very possibility of a special private use exemption. The issue was raised early in the revision process, in one of the

¹⁷ In the case of literary, musical, dramatic, and choreographic works, pantomimes, and editorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly."

A "sound record" is defined by § 101 as a reproduction of sounds other than sounds accompanying an audiovisual work, while a "copy" is a reproduction of a work in any form other than a phonorecord. Section 101 provides:

"In determining the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords, or any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

"(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit 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."

Section 101 makes it clear that the four factors listed in this section are illustrative and not limitative."

¹⁸ The 1976 Act was the product of a revision effort lasting more than 20 years. Spurred by the recognition that "significant developments in technology and communications" had rendered the 1909 Act inadequate, S. Rep. No. 94-473, p. 47 (1975); see H. R. Rep. No. 94-1476, p. 47 (1976), Congress in 1955 authorized the Copyright Office to prepare a series of studies on all aspects of the existing copyright law. Thirty-four studies were prepared and presented to Congress. The Register of Copyrights drafted a comprehensive report with recommendations, House Committee on the Judiciary, Copyright Law Revision, Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law, 87th Cong., 1st Sess. (Comm. Print 1961) (Register's 1961 Report), and general revision bills were introduced near the end of the 85th Congress in 1954. H. R. 1247 S. 2007, 85th Cong., 2d Sess. (1954). The Register issued a second report in 1957, with revised recommendations. House Committee on the Judiciary, Copyright Law Revision, Pt. 6, Supplementary Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law, 1955 Revision Bill, 85th Cong., 1st Sess. (Comm. Print 1955) (Register's Supplementary Report). Action on copyright revision was delayed from 1957 to 1974 by a dispute on cable television, see generally Second Supplementary Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law, 1973 Revision Bill, ch. V, pp. 2-26 (Draft Oct.-Dec. 1973) (Register's Second Supplementary Report), but a compromise led to passage of the present Act in 1976.

¹⁹ 1 U. S. C. § 11 provides in relevant part:

"In determining the meaning of any Act of Congress, unless the context indicates otherwise . . . words importing the plural include the singular. . . ."

²⁰ The library photocopying provisions of § 108 do not excuse any person who requests "a copy" from a library if the requester's use exceeds fair use. § 108(f)(2). Moreover, a library is absolved from liability for the unauthorized use of its copying equipment provided that the equipment bears a notice informing users that "the making of a copy" may violate the copyright law. § 108(f)(1).

²¹ For example, "the making of a single copy or phonorecord by an individual as a free service for a blind person" would be a fair use, as would "a single copy reproduction of an excerpt from a copyrighted work by a calligrapher for a single client" or "a single reproduction of excerpts from a copyrighted work by a student calligrapher or teacher in a learning situation." 1975 Senate Report 65-67; see 1976 House Report 73-74. Application of the fair use doctrine in these situations, of course, would be unnecessary if the 1976 Act created a general exemption for the making of a single copy.

studies prepared for Congress under the supervision of the Copyright Office. Latman, *Fair Use of Copyrighted Works* (1958), reprinted in Senate Committee on the Judiciary, *Copyright Law Revision, Studies Prepared for the Subcommittee on Patents, Trademarks, and Copyrights, 86th Cong., 2d Sess., 1 (1960)* (Latman Fair Use Study). This study found no reported case supporting the existence of an exemption for private use, although it noted that "the purpose and nature of a private use, and in some cases the small amount taken, might lead a court to apply the general principles of fair use in such a way as to deny liability." *Id.*, at 12. After reviewing a number of foreign copyright laws that contained explicit statutory exemptions for private or personal use, *id.*, at 25, Professor Latman outlined several approaches that a revision bill could take to the general issue of exemptions and fair use. One of these was the adoption of particularized rules to cover specific situations, including "the field of personal use." *Id.*, at 33.¹³

Rejecting the latter alternative, the Register of Copyrights recommended that the revised copyright statute simply mention the doctrine of fair use and indicate its general scope. The Register opposed the adoption of rules and exemptions to cover specific situations,¹⁴ preferring, instead, to rely on the judge-made fair use doctrine to resolve new problems as they arose. See Register's 1961 Report 25; Register's Supplementary Report 27-28.

The Register's approach was reflected in the first copyright revision bills, drafted by the Copyright Office in 1964. These bills, like the 1976 Act, granted the copyright owner the exclusive right to reproduce the copyrighted work, subject only to the exceptions set out in later sections. H. R. 11947-S. 3008, 88th Cong., 2d Sess., §5(a) (1964). The primary exception was fair use, §6, containing language virtually identical to §107 of the 1976 Act. Although the copyright revision bills underwent change in many respects from their first introduction in 1964 to their final passage in 1976, these portions of the bills did not change.¹⁵ I can conclude only that Congress, like the Register, intended to rely on the fair use doctrine, and not on a *per se* exemption for

private use, to separate permissible copying from the impermissible.¹⁶

When Congress intended special and protective treatment for private use, moreover, it said so explicitly. One such explicit statement appears in §106 itself. The copyright owner's exclusive right to *perform* a copyrighted work, in contrast to his right to reproduce the work in copies, is limited. Section 106(4) grants a copyright owner the exclusive right to perform the work "publicly," but does not afford the owner protection with respect to private performances by others. A motion picture is "performed" whenever its images are shown or its sounds are made audible. §101. Like "sing[ing] a copyrighted lyric in the shower," *Twentieth Century Music Corp. v. Aiken*, 422 U. S. 151, 155 (1975), watching television at home with one's family and friends is now considered a performance. 1975 Senate Report 59-60; 1976 House Report 63.¹⁷ Home television viewing nevertheless does not infringe any copyright—but only because §106(4)

in later Congresses. See H. R. 2512-S. 97, 79th Cong., 1st Sess., §107 (1965); S. 543, 91st Cong., 1st Sess., §107 (1969); S. 944, 93rd Cong., 1st Sess., §107 (1971); S. 1391, 93rd Cong., 1st Sess., §107 (1973); H. R. 2223-S. 22, 94th Cong., 1st Sess., §107 (1975). With a few additions by the House Judiciary Committee in 1976, see 1976 House Report 63; H. R. Conf. Rep. No. 94-1743, p. 70 (1976), the same language appears in §107 of the 1976 Act.

¹³ In *Williams & Wilkins Co. v. United States*, 263 U. S. 371, 457 F. 2d 1345 (1973), affirmed by an equally divided Court, 429 U. S. 476 (1975), decided during the process of the revision of the copyright statutes, the Court of Claims suggested that copying for personal use might be outside the scope of copyright protection under the 1909 Act. The court reasoned that because "hand copying" for personal use has always been regarded as permissible, and because the practice of making personal copies continued after typewriters and photostat machines were developed, the making of personal copies by means other than hand copying should be permissible as well. *Id.*, at 84-85, 487 F. 2d, at 1350-1352.

¹⁴ There appear to me to be several flaws in this reasoning. First, it is by no means clear that the making of a "hand copy" of an entire work is permissible; the most that can be said is that there is no reported case on the subject, possibly because no copyright owner ever thought it worthwhile to sue. See Latman *Fair Use Study* 11-12; M. Nimmer, *Copyright* §113.05[E][4][a] (1982). At least one early treatise asserted that infringement would result "if an individual made copies for his personal use, even in his own handwriting, as there is no rule of law excepting manuscript copies from the law of infringement." A. Weil, *American Copyright Law* §1066 (1917). Second, hand copying or even copying by typewriter is self-limiting. The drudgery involved in making hand copies ordinarily ensures that only necessary and fairly small portions of a work are taken; it is unlikely that any user would make a hand copy as a substitute for one that could be purchased. The harm to the copyright owner from hand copying thus is minimal. The recent advent of inexpensive and readily available copying machines, however, has changed the dimensions of the problem. See Register's Second Supplementary Report ch. III, p. 3; Hearings on H. R. 2223 before the Subcommittee on Courts, Civil Liberties, and the Administration of Justice of the House Judiciary Committee, 94th Cong., 1st Sess., 194 (1975) (1975 House Hearings) (remarks of Rep. Danielson); *id.*, at 224 (statement of Robert W. Carnes); *id.*, at 250 (remarks of Rep. Danielson); *id.*, at 354 (testimony of Irwin Karp); *id.*, at 467 (testimony of Rondo Cameron); *id.*, at 475 (testimony of Barbara Ringer, Register of Copyrights). Thus, "[t]he supposition that there is no tort involved in a scholar copying a copyrighted text by hand does not much advance the question of machine copying." B. Kaplan, *An Unvarnished View of Copyright* 101-102 (1967).

¹⁵ In a trio of cases, *Fortnightly Corp. v. United Artists*, 392 U. S. 359, 398 (1968); *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U. S. 394, 403-405 (1974); and *Twentieth Century Music Corp. v. Aiken*, 422 U. S. 151 (1975), this Court had held that the reception of a radio or television broadcast was not a "performance" under the 1909 Act. The Court's "narrow construction" of the word "perform" was "completely overturned by the [1976 Act] and its broad definition of 'perform' in section 101." 1976 House Report 87.

¹³ Professor Latman made special mention of the "personal use" issue because the area was one that

"has become disturbed by recent developments Photoduplication devices may make authors' and publishers' groups apprehensive. The Copyright Charter recently approved by [the International Confederation of Societies of Authors and Composers] emphasizes the concern of authors over 'private' uses which, because of technological developments, are said to be competing seriously with the author's economic interests." Latman *Fair Use Study* 33-34.

¹⁴ The one exemption proposed by the Register, permitting a library to make a single photocopy of an out-of-print work and of excerpts that a requester certified were needed for research, met with opposition and was not included in the bills initially introduced in Congress. See Register's 1961 Report 26; H. R. 11947-S. 3008, 88th Cong., 2d Sess. (1964); Register's Supplementary Report 26. A library copying provision was restored to the bill in 1969, after pressure from library associations. Register's Second Supplementary Report, ch. III, pp. 10-11; see S. 543, 91st Cong., 1st Sess., §108 (Comm. Print Dec. 10, 1969); 1975 Senate Report 49.

¹⁵ The 1964 bills provided that the fair use of copyrighted material for purposes "such as criticism, comment, news reporting, teaching, scholarship, or research" was not an infringement of copyright, and listed four "factors to be considered" in determining whether any other particular use was fair. H. R. 11947-S. 3008, 88th Cong., 2d Sess., §6 (1964). Revised bills, drafted by the Copyright Office in 1965, contained a fair use provision merely mentioning the doctrine but not indicating its scope: "Notwithstanding the provisions of section 106, the fair use of a copyrighted work is not an infringement of copyright." H. R. 1347-S. 1006, 89th Cong., 1st Sess., §107 (1965). The House Judiciary Committee restored the provision to its earlier wording, H. R. Conf. Rep. No. 2237, 89th Cong., 2d Sess., 5, 58 (1966), and the language adopted by the Committee remained in the bill

contains the word "publicly."¹⁷ See generally 1975 Senate Report 60-61; 1976 House Report 62-64; Register's 1961 Report 29-30. No such distinction between public and private uses appears in §106(1)'s prohibition on the making of copies.¹⁸

Similarly, an explicit reference to private use appears in §108. Under that section, a library can make a copy for a patron only for specific types of private use: "private study, scholarship, or research."¹⁹ §§108(d)(1) and (e)(1); see 37 CFR §201.14(b) (1982). Limits also are imposed on the extent of the copying and the type of institution that may make copies, and the exemption expressly is made inapplicable to motion pictures and certain other types of works. §108(h). These limitations would be wholly superfluous if an entire copy of any work could be made by any person for private use.²⁰

B

The District Court in this case nevertheless concluded that the 1976 Act contained an implied exemption for "home-use recording." 480 F. Supp., at 444-446. The court relied primarily on the legislative history of a 1971 amendment to the 1909 Act, a reliance that this Court today does not duplicate. *Id.*, at 11, n. 11. That amendment, however, was addressed to the specific problem of commercial piracy of sound recordings. Act of Oct. 15, 1971, 85 Stat. 391 (1971 Amendment). The House Report on the 1971 Amendment, in a section entitled "Home Recording," contains the following statement:

"In approving the creation of a limited copyright in sound recordings it is the intention of the Committee that this limited copyright not grant any broader rights than are accorded to other copyright proprietors under the existing title 17. Specifically, it is not the intention of the Committee to restrain the home recording, from broadcasts or from tapes or records, of recorded performances, where the home recording is for private use and with no purpose of reproducing or otherwise capitalizing commercially on it. This practice is common and unrestrained today, and the record producers and performers would be in no different position from that of the

owners of copyright in recorded musical compositions over the past 20 years." H. R. Rep. No. 92-487, p. 7 (1971) (1971 House Report).

Similar statements were made during House hearings on the bill²¹ and on the House floor,²² although not in the Senate proceedings. In concluding that these statements created a general exemption for home recording, the District Court, in my view, paid too little heed to the context in which the statements were made, and failed to consider the limited purpose of the 1971 Amendment and the structure of the 1909 Act.

Unlike television broadcasts and other types of motion pictures, sound recordings were not protected by copyright prior to the passage of the 1971 Amendment. Although the underlying musical work could be copyrighted, the 1909 Act provided no protection for a particular performer's rendition of the work. Moreover, copyrighted musical works that had been recorded for public distribution were subject to a "compulsory license"; any person was free to record such a work upon payment of a 2-cent royalty to the copyright owner. §1(e), 35 Stat. 1075-1076. While reproduction without payment of the royalty was an infringement under the 1909 Act, damages were limited to three times the amount of the unpaid royalty. §25(e), 35 Stat. 1081-1082; *Shapiro, Bernstein & Co. v. Goody*, 248 F. 2d 260, 262-263, 265 (CA2 1957), cert. denied, 355 U. S. 952 (1958). It was observed that the practical effect of these provisions was to legalize record piracy. See S. Rep. No. 92-72, p. 4 (1971); 1971 House Report 2.

In order to suppress this piracy, the 1971 Amendment extended copyright protection beyond the underlying work and to the sound recordings themselves. Congress chose, however, to provide only limited protection: owners of copyright in sound recordings were given the exclusive right "[t]o re-

¹⁷The following exchange took place during the testimony of Barbara Ringer, then Assistant Register of Copyrights:

"Rep. [Bester. . .] I can tell you I must have a small pirate in my own home. My son has a cassette tape recorder, and as a particular record becomes a hit, he will retrieve it onto his little set. . . . [T]his legislation, of course, would not point to his activities, would it?"

"Ms. Ringer. . . I think the answer is clearly, 'No, it would not.' I have spoken at a couple of seminars on video cassettes lately, and this question is usually asked: 'What about the home recorders?' The answer I have given and will give again is that this is something you cannot control. You simply cannot control it. My own opinion, whether this is philosophical dogma or not, is that sooner or later there is going to be a crunch here. But that is not what this legislation is addressed to, and I do not see the crunch coming in the immediate future. . . . I do not see anybody going into anyone's home and preventing this sort of thing, or forcing legislation that would engineer a piece of equipment not to allow home taping." Hearings on S. 646 and H. R. 6927 before Subcommittee No. 3 of the House Committee on the Judiciary, 92d Cong., 1st Sess., 22-23 (1971) (1971 House Hearings).

¹⁸Shortly before passage of the bill, a colloquy took place between Representative Kastenmeier, chairman of the House subcommittee that produced the bill, and Representative Kazen, who was not on the committee:

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

"Mr. Kastenmeier. Yes."

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

"Mr. Kastenmeier. This is not included in the bill. I am glad the gentleman raises the point."

"On page 7 of the report, under 'Home Recordings,' Members will note that under the bill the same practice which prevails today is called for; namely, this is considered both presently and under the proposed law to be fair use. The child does not do this for commercial purposes. This is made clear in the report." 117 Cong. Rec. 34748-34749 (1971).

¹⁹A work is performed "publicly" if it takes place "at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered." §101.

²⁰One purpose of the exemption for private performances was to permit the home viewing of lawfully made videotapes. The Register noted in 1961 that "unless technical devices will probably make it practical in the future to reproduce televised motion pictures in the home. We do not believe the private use of such a reproduction can or should be precluded by copyright." Register's 1961 Report 30 (emphasis added). The Register did not suggest that the private making of a reproduction of a televised motion picture would be permitted by the copyright law. The Register later reminded Congress that "[i]n general the concept of 'performance' must be distinguished sharply from the reproduction of copies." Register's Supplementary Report 22.

²¹During hearings on this provision, Representative Danielson inquired whether it would apply to works of fiction such as "Gone With the Wind," or whether it was limited to "strictly technical types of information." The uncontradicted response was that it would apply only in "general terms of science . . . and the useful arts." 1975 House Hearings 251 (testimony of Robert W. Curran), cf. *id.*, at 300 (statement of Harry Rosenfield) ("We are not asking . . . for the right to copy 'Gone With the Wind'").

The mention in the Senate and House Reports of situations in which copies for private use would be permissible under the fair use doctrine—for example, the making of a free copy for a blind person, 1975 Senate Report 63; 1975 House Report 73, or the "recordings of performances by music students for purposes of analysis and criticism," 1975 Senate Report 63—would be superfluous as well. See n. 12, *supra*.

produce [their works] and distribute [them] to the public." 1971 Amendment, § 1(a), 85 Stat. 391 (formerly codified as 17 U. S. C. § 1(f) (1976 ed.)).² This right was merely the right of commercial distribution. See 117 Cong. Rec. 34748-34749 (1971) (colloquy of Reps. Kazen & Kastenmeier) ("the bill protects copyrighted material that is duplicated for commercial purposes only").

Against this background, the statements regarding home recording under the 1971 Amendment appear in a very different light. If home recording was "common and unrestrained" under the 1909 Act, see 1971 House Report 7, it was because sound recordings had no copyright protection and the owner of a copyright in the underlying musical work could collect no more than a 2-cent royalty plus 6 cents in damages for each unauthorized use. With so little at stake, it is not at all surprising that the Assistant Register "[d]id not see anybody going into anyone's home and preventing this sort of thing." 1971 House Hearings 23.

But the references to home sound recording in the 1971 Amendment's legislative history demonstrate no congressional intent to create a generalized home use exemption from copyright protection. Congress, having recognized that the 1909 Act had been unsuccessful in controlling home sound recording, addressed only the specific problem of commercial record piracy. To quote Assistant Register Ringer again, home use was "not what this legislation [was] addressed to." 1971 House Hearings 22.³

While the 1971 Amendment narrowed the sound recordings loophole in then existing copyright law, motion pictures and other audiovisual works have been accorded full copyright protection since at least 1912, see Act of Aug. 24, 1912, 37 Stat. 488, and perhaps before, see *Edison v. Lubin*, 122 F. 210 (CA3 1903), app. dismissed, 195 U. S. 625 (1904). Congress continued this protection in the 1976 Act. Unlike the sound recording rights created by the 1971 Amendment, the reproduction rights associated with motion pictures under § 106(1) are not limited to reproduction for public distribution; the copyright owner's right to reproduce the work exists independently, and the "mere duplication of a copy may constitute an infringement even if it is never distributed." Register's Supplementary Report 16; see 1975 Senate Report 57 and 1976 House Report 61. Moreover, the 1976 Act was intended as a comprehensive treatment of all aspects of copyright law. The reports accompanying the 1976 Act, unlike the 1971 House Report, contain no suggestion that home-use recording is somehow outside the scope of this all-inclusive

statute. It was clearly the intent of Congress that no additional exemptions were to be implied.⁴

I therefore find in the 1976 Act no implied exemption to cover the home taping of television programs, whether it be for a single copy, for private use, or for home use. Taping a copyrighted television program is infringement unless it is permitted by the fair use exemption contained in § 107 of the 1976 Act. I now turn to that issue.

IV Fair Use

The doctrine of fair use has been called, with some justification, "the most troublesome in the whole law of copyright." *Dellar v. Samuel Goldwyn, Inc.*, 104 F. 2d 661, 662 (CA2 1939); see *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F. 2d 1171, 1174 (CA5 1980); *Meeropol v. Nizer*, 560 F. 2d 1061, 1068 (CA2 1977), cert. denied, 434 U. S. 1013 (1978). Although courts have constructed lists of factors to be considered in determining whether a particular use is fair,⁵ no fixed criteria have emerged by which that determination can be made. This Court thus far has provided no guidance; although fair use issues have come here twice, on each occasion the Court was equally divided and no opinion was forthcoming. *Williams & Wilkins Co. v. United States*, 203 Ct. Cl. 74, 357 F. 2d 1345 (1973), aff'd, 429 U. S. 376 (1975); *Benny v. Loew's, Inc.*, 239 F. 2d 532 (CA9 1956), aff'd sub nom. *CBS, Inc. v. Loew's Inc.*, 356 U. S. 43 (1958).

Nor did Congress provide definitive rules when it codified the fair use doctrine in the 1976 Act; it simply incorporated a list of factors "to be considered": the "purpose and character of the use," the "nature of the copyrighted work," the "amount and substantiality of the portion used," and, perhaps the most important, the "effect of the use upon the potential

² Representative Kastenmeier, the principal House sponsor of the 1971 revision bill and chairman of the House subcommittee that produced it, made this explicit on the opening day of the House hearings:

"[F]rom time to time, certain areas have not been covered in the bill. But is it not the case, this being a unified code, that the operation of the bill does apply whether or not we specifically deal with a subject or not?"

"Therefore, we can readily not fail to deal with an issue. It will be dealt with one way or the other. The code, title 17, will cover it. So we have made a conscious decision even by omission."

"By virtue of passing this bill, we will deal with every issue. Whether we deal with it completely or not for the purpose of resolving the issues involved is the only question, not whether it has dealt with the four corners of the bill because the four corners of the bill will presume to deal with everything in copyright." 1975 House Hearings 115.

³The precise phrase "fair use" apparently did not enter the case law until 1909, see *Lawrence v. Dana*, 15 F. Cas. 26, 60 (No. 8136) (CC Mass.), but the doctrine itself found early expression in *Folsom v. Marsh*, 9 F. Cas. 342 (No. 4,901) (CC Mass. 1811). Justice Story was faced there with the "intricate and embarrassing question" whether a biography containing copyrighted letters was "a justifiable use of the original materials, such as the law recognizes as no infringement of the copyright of the plaintiff." *Id.*, at 344, 348. In determining whether the use was permitted, it was necessary, said Justice Story, to consider "the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work. . . . Much must, in such cases, depend upon the nature of the new work, the value and extent of the copies, and the degree in which the original authors may be injured thereby." *Id.*, at 348-349.

Similar lists were compiled by later courts. See, e.g., *Fraser v. Preston Publishing Co. v. Moultrie Mfg. Co.*, 421 F. 2d 279, 280 (CA5), cert. denied, 398 U. S. 928 (1970); *Mathews Conveyer Co. v. Palmer Bee Co.*, 135 F. 2d 73, 85 (CA6 1943); *Columbia Pictures Corp. v. National Broadcasting Co.*, 137 F. Supp. 348 (SD Cal. 1955); *Shapiro, Bernstein & Co. v. P. F. Collier & Son Co.*, 26 U. S. P. Q. 10, 43 (SDNY 1934); *Hill v. Whalen & Martell, Inc.*, 220 F. 359, 360 (SDNY 1914).

⁴The 1909 Act's grant of an exclusive right to "copy," § 1(a), was of no assistance to the owner of a copyright in a sound recording, because a reproduction of a sound recording was technically considered not to be a "copy." See 1971 House Hearings 15 (testimony of Barbara Ringer, Assistant Register of Copyrights); 1971 Amendment, § 1(a), 85 Stat. 391 (formerly codified as 17 U. S. C. § 26 (1976 ed.)) ("For the purposes of [specified sections, not including § 1(a)], but not for any other purpose, a reproduction of a [sound recording] shall be considered to be a copy thereof"). This concept is carried forward into the 1976 Act, which distinguishes between "copies" and "phonorecords." See n. 7, *supra*.

⁵During consideration of the 1976 Act, Congress, of course, was well aware of the limited nature of the protection granted to sound recordings under the 1971 Amendment. See 1975 House Hearings 143 (testimony of Barbara Ringer, Register of Copyrights) (1971 Amendment "created a copyright in a sound recording . . . but limited it to the particular situation of so-called piracy"; *id.*, at 1380 (letter from John Lorenz, Acting Librarian of Congress) (under 1971 Amendment "only the unauthorized reproduction and distribution to the public of copies of the sound recording is prohibited. Thus, the duplication of sound recordings for private personal use and the performance of sound recordings through broadcasting or other means are outside the scope of the amendment").