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## RESPONSE

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### THE “EQUITY OF THE STATUTE” AND COPYRIGHT LAW: THREE CRITIQUES

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MICHAEL A. CARRIER<sup>†</sup>

In response to Shyamkrishna Balganesh & Gideon Parchomovsky, *Equity's Unstated Domain: The Role of Equity in Shaping Copyright Law*, 163 U. Pa. L. Rev. 1859 (2015).

In their ambitious Article, Shyam Balganesh and Gideon Parchomovsky seek to make sense of the Supreme Court's recent copyright jurisprudence. The authors articulate an “equity of the statute” that allows courts “to extend or restrict the otherwise clear words of a statute to give effect to the statute's *ratio* or purpose.”<sup>1</sup> They also find, in some tension, that copyright law is indeterminate, as “a close reading of the [Copyright Act] reveals hardly any guidance” on how to apply it.<sup>2</sup>

Whether copyright law is clear or indeterminate, the authors conclude that “the Court's stated objective [i]s to bring the substantive content of copyright doctrine in line with its own conception of copyright's principal values and ideals.”<sup>3</sup> The authors contend that the “equity of the statute” allows the Court to effectuate copyright's “primary purpose,” which is to

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<sup>†</sup> Distinguished Professor, Rutgers School of Law. I would like to thank Shyam Balganesh and Gideon Parchomovsky for their Article and the organizers of the Symposium for the invitation to respond.

<sup>1</sup> Shyamkrishna Balganesh & Gideon Parchomovsky, *Equity's Unstated Domain: The Role of Equity in Shaping Copyright Law*, 163 U. PA. L. REV. 1859, 1860 (2015).

<sup>2</sup> *Id.* at 1872.

<sup>3</sup> *Id.* at 1862.

balance the “utilitarian ideal of encouraging creativity” with “the public’s need for access.”<sup>4</sup>

The authors lament that “constant technological change” has “required copyright law to update the applicability of its core goals and ideals to new situations” but that “[t]he formal content of its statutory directives has routinely proven to be outdated, and legislative reforms have often proven to be an inadequate means of redress.”<sup>5</sup> They are heartened, however, that the Court “has effectively determined the equity of the copyright statute’s substantive content,” which has “protect[ed] the normative integrity of our copyright system.”<sup>6</sup> Finally, the authors find that the Court applies “adjectival equity” in “preserv[ing]” its “flexibility for the future.”<sup>7</sup>

In this response, I offer three critiques of the Article. First, the notion of an “equity of the statute” designed to promote copyright’s incentives/access paradigm does not provide the most persuasive explanation of the cases. Second, the authors’ “adjectival equity” cases are not best explained by preserving judicial flexibility. Third, two of the three cases involving technology do not present a “successful ‘updat[ing]’” of copyright doctrine.<sup>8</sup>

#### I. AVOIDING SIMPLE EXPLANATIONS TO EMBRACE SUBSTANTIVE EQUITY

The authors seek to explain several recent Supreme Court copyright decisions by locating a “substantive equity of the statute” and connecting it with the primary purpose of copyright law: balancing the “utilitarian ideal of encouraging creativity” with “the public’s need for access.”<sup>9</sup>

In *Kirtsaeng v. John Wiley & Sons, Inc.*, the Court found that for works “lawfully made” outside the United States, a copyright owner’s right to prevent unlawful importation did not block users’ first sale rights.<sup>10</sup> The authors concede that the Court’s opinion in *Kirtsaeng* was not about “trying to make affirmative sense out of the statute’s directives and creating a new rule.”<sup>11</sup> For that reason, they expand the policy objective to “limit the application and reach of the statute’s blunt-edged directive” and incorporate “common sense–driven commercial goals underlying the first sale

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<sup>4</sup> *Id.* at 1869.

<sup>5</sup> *Id.* at 1861.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* at 1862–63.

<sup>8</sup> *Id.* at 1869.

<sup>9</sup> *Id.*

<sup>10</sup> 133 S. Ct. 1351, 1358 (2013).

<sup>11</sup> Balganesch & Parchomovsky, *supra* note 1, at 1880.

doctrine.”<sup>12</sup> The case thus does not support the authors’ claims that the Court uses the “substantive equity of the statute” to effectuate copyright’s “primary purpose” of fostering incentives for creation and public access.

But even after expanding their thesis, the authors do not explore the Court’s own role in backing into the “blunt-edged directive” they attribute to the statute. The authors take as a given *Quality King Distributors, Inc. v. L’anza Research International*, in which the Court held that the first sale doctrine limited the copyright owner’s importation right.<sup>13</sup> But, as Justice Kagan explained in her concurring opinion in *Kirtsaeng*, a different decision in *Quality King* could have allowed copyright owners to “restrict the importation of copies irrespective of the first-sale doctrine.”<sup>14</sup> That result could have allowed copyright owners to “divide international markets” without “imposing downstream liability on those who purchase and resell in the United States copies that happen to have been manufactured abroad.”<sup>15</sup> Such an outcome would have “target[ed] unauthorized importers alone, and not the ‘libraries, used-book dealers, technology companies, consumer-goods retailers, and museums’ with whom the Court [was] rightly concerned.”<sup>16</sup> In other words, the authors’ attempt to explain the *Kirtsaeng* decision as “limit[ing] . . . the statute’s blunt-edged directive” could have benefited from consideration of the judicial background that pushed the Court into the “parade of ‘horribles’”<sup>17</sup> corner in the first place.

Second, in *Feist Publications, Inc. v. Rural Telephone Service Co.*, the Court held that copyrighted works must be original to receive protection.<sup>18</sup> The authors claim that such a conclusion “[r]oot[ed] originality in the overall constitutionally dictated purposes of the Act, even in the absence of express guidance within the statute.”<sup>19</sup> Consideration of these purposes then “allowed the Court to reconstruct copyright doctrine in the image of its own vision for what copyright law was striving to do in protecting works of expression: encouraging *creative* labor.”<sup>20</sup> The authors ground their argument that the Court “transformed the doctrine of originality” in

<sup>12</sup> *Id.* at 1880-81.

<sup>13</sup> 523 U.S. 135, 145 (1998).

<sup>14</sup> 133 S. Ct. at 1372 (Kagan, J., concurring).

<sup>15</sup> *Id.*

<sup>16</sup> *Id.* at 1373.

<sup>17</sup> Balganesch & Parchomovsky, *supra* note 1, at 1880-81.

<sup>18</sup> 499 U.S. 340, 364 (1991).

<sup>19</sup> Balganesch & Parchomovsky, *supra* note 1, at 1876.

<sup>20</sup> *Id.*

creativity, referring to the term seven times and highlighting the Court's "equat[ing] originality with creativity."<sup>21</sup>

The authors correctly note that the Court rejected the "sweat of the brow" theory (which protected "the hard work that went into compiling facts"<sup>22</sup>) and discern a discussion in nineteenth century cases of creativity. But, in focusing on creativity and searching for the purposes motivating the Court, the authors neglect other evidence that does not need to reach so ambitiously and historically to first-order principles. For starters, the authors could have mentioned the role played by the Register of Copyrights, who explained in 1961 that originality was "a 'basic requisit[e]' of copyright" under the 1909 Copyright Act,<sup>23</sup> that "the absence of any reference to [originality] in the statute seems to have led to misconceptions as to what is copyrightable matter,"<sup>24</sup> and that, as a result, Congress should "mak[e] the originality requirement explicit" in the 1976 Copyright Act.<sup>25</sup>

Consistent with this advice (and even more important in making sense of the Court's opinion), in "enacting the Copyright Act of 1976, Congress dropped the reference to 'all the writings of an author' and replaced it with the phrase 'original works of authorship.'"<sup>26</sup> In addition to this crucial change, the Court offered multiple other grounds supporting the originality requirement based on *the text of the 1976 Copyright Act*. The Court explained that the 1976 Act removed a section of the 1909 Act that had "protect[ed] . . . the 'copyrightable component parts' of a work" without "identif[y]ing originality" and "replaced it with § 102(b)," which "is universally understood to prohibit any copyright in facts."<sup>27</sup> The Court also found support for the originality requirement in Congress's "deleting the specific mention of 'directories . . . and other compilations'" in the 1909 Act and adding in the 1976 Act "a definition of the term 'compilation'" that "emphasize[d] that collections of facts are not copyrightable *per se*."<sup>28</sup>

Within the compilation definition, the Court elaborated several strands of support buttressing the originality requirement. One was the repetition of the term "originality" (which refers generally to copyrighted works in § 102) in the compilation definition in § 101, thereby "ensur[ing] that courts would not repeat the mistake of the 'sweat of the brow' courts by

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<sup>21</sup> *Id.* at 1875-76.

<sup>22</sup> *Feist Publications*, 499 U.S. at 352.

<sup>23</sup> *Id.* at 355.

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> *Id.* at 355-56.

<sup>28</sup> *Id.* at 356-57.

concluding that fact-based works are treated differently and measured by some other standard.”<sup>29</sup> The Court also focused on the selection, coordination, or arrangement of facts that “render the work as a whole original.”<sup>30</sup> The Court’s statutory analysis speaks for itself:

In accordance with “the established principle that a court should give effect, if possible, to every clause and word of a statute,” we conclude that the statute envisions that there will be some fact-based works in which the selection, coordination, and arrangement are not sufficiently original to trigger copyright protection.<sup>31</sup>

In short, the authors’ claim that the Court’s decision was based on “the overall constitutionally dictated purposes of the Act” and that there was an “absence of express guidance within the statute” belies the actual language of the statute and the Court’s careful, exhaustive analysis locating multiple grounds of support for the originality requirement in the statute itself.<sup>32</sup>

Third, in *Harper & Row, Publishers, Inc. v. Nation Enterprises*, the Court held that a political magazine could not rely on the fair use defense in publishing excerpts from a biography of President Gerald Ford.<sup>33</sup> The authors claim that the ruling was based on the notion that the right of first publication is “essential to motivating creativity.”<sup>34</sup>

I agree with the authors that something other than the black-letter application of fair use law motivated the Court. The Court could have easily found the defense satisfied given the news reporting purpose, the nature of the work as historical narrative, and the small percentage of the infringed work used (300 words out of a 200,000-word manuscript).<sup>35</sup> But it seems that the Court reached beyond fair use not to “motiv[at]e creativity,”<sup>36</sup> as this objective is barely mentioned in the Court’s opinion. Instead, the opinion is laced with language indicating the Court’s motivation to punish a perceived bad actor: (1) the magazine worked from a “purloined manuscript”;<sup>37</sup> (2) the Court warned of “an unidentified person secretly” bringing a copy that the editor “knew . . . was not authorized” and that had

<sup>29</sup> *Id.* at 357.

<sup>30</sup> *Id.* at 358.

<sup>31</sup> *Id.* at 358 (internal citation omitted).

<sup>32</sup> Balganesch & Parchomovsky, *supra* note 1, at 1876.

<sup>33</sup> 471 U.S. 539, 569 (1985).

<sup>34</sup> Balganesch & Parchomovsky, *supra* note 1, at 1874. The authors also state that the Court “relied in large part on the overall scheme of the Act . . . and the legislative history.” *Id.*

<sup>35</sup> 471 U.S. at 562-66; *id.* at 598 (Brennan, J., dissenting).

<sup>36</sup> Balganesch & Parchomovsky, *supra* note 1, at 1874.

<sup>37</sup> 471 U.S. at 542.

to be “returned quickly to his ‘source’ to avoid discovery”;<sup>38</sup> (3) the editor “hastily put together” what he thought was “a real hot news story”;<sup>39</sup> (4) the magazine “effectively arrogated to itself the right of first publication”;<sup>40</sup> (5) the magazine “actively sought to exploit the headline value of its infringement, making a ‘news event’ out of its unauthorized first publication”;<sup>41</sup> (6) the magazine had a “stated purpose of scooping the forthcoming” works;<sup>42</sup> and (7) the “clandestine publication” was “hastily patched together.”<sup>43</sup> While the Court clearly reached beyond the typical fair use factors, the desire to punish a bad actor seemed to play a more pivotal role than motivating creativity.

In short, there may be more going on in these cases (which make up only a small subset of federal court and even Supreme Court copyright cases<sup>44</sup>) than a rote application of black-letter law to a set of facts falling clearly within the sphere of precedent. But, in reaching for an ambitious theory based on the “equity of the statute,” the authors reach further than they need to. *Quality King* explains the “blunt-edged” situation in which the *Kirtsaeng* Court found itself at least as much as the Copyright Act. The plain words of the 1976 Act and a straightforward statutory analysis dictate *Feist*. And a desire to punish the defendant explains *Harper & Row*. These three different explanations provide a more direct and simple accounting of the cases, and (at least for the first two) are more rooted in discrete precedent and the clear statutory text.

## II. ADJECTIVAL EQUITY CASES AND UNFOUNDED FLEXIBILITY

A second set of cases the authors discuss implicates the Copyright Act’s “adjectival” dimensions.<sup>45</sup> The authors contend that the Court addresses these “remedial and procedural dimensions” by “ensuring that the law remains sufficiently flexible, so as to allow future courts to apply it situationally in ways that further the copyright system’s goals and purposes.”<sup>46</sup>

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<sup>38</sup> *Id.* at 543.

<sup>39</sup> *Id.*

<sup>40</sup> *Id.* at 549.

<sup>41</sup> *Id.* at 561.

<sup>42</sup> *Id.* at 562; *see also id.* at 542, 556.

<sup>43</sup> *Id.* at 564.

<sup>44</sup> Balganesch & Parchomovsky, *supra* note 1, at 1872 n.67. Cases the authors do not discuss also are not explained by the “equity of the statute.” *See, e.g.,* *Feltner v. Columbia Pictures Television*, 523 U.S. 340, 347-55 (1998) (finding a right to a trial by jury for statutory damages issues based on history); *Cnty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 741 (1989) (interpreting “works made for hire” doctrine based on the “general common law of agency”).

<sup>45</sup> Balganesch & Parchomovsky, *supra* note 1, at 1882.

<sup>46</sup> *Id.* at 1882-83.

This explanation, however, does not offer the most persuasive reading of the cases.

In *Reed Elsevier, Inc. v. Muchnick*, the Court concluded that a copyright owner’s failure to register its work before filing suit did not divest courts of jurisdiction but instead was a mere claims-processing rule.<sup>47</sup> The authors explain that “[t]o the Court, preserving courts’ jurisdiction to hear these cases appears to have been paramount.”<sup>48</sup> In addition, “[d]isempowering courts of their ability to hear copyright cases, merely because of noncompliance with the statute’s formalities, was unquestionably problematic to the Court.”<sup>49</sup>

The opinion itself, however, is not based, even implicitly, on any such lofty reasoning. Instead, the Court decided the case based on precedent from a *non-copyright* case that articulated the “general approach to distinguish ‘jurisdictional’ conditions from claim-processing requirements.”<sup>50</sup> This precedent (arising in the context of Title VII of the Civil Rights Act of 1964) made clear that the copyright statute does not “clearly state[]” that “its registration requirement is ‘jurisdictional’”<sup>51</sup> and that “when Congress does not rank a statutory limitation on coverage as jurisdictional, courts should treat the restriction as nonjurisdictional in character.”<sup>52</sup>

The Court also explained that the copyright registration section was “separate” from provisions “granting federal courts subject-matter jurisdiction.”<sup>53</sup> And it made clear that the provision “expressly allows courts to adjudicate infringement claims involving unregistered works . . . where the work is not a U.S. work, where the infringement claim concerns rights of attribution and integrity . . . or where the holder attempted to register the work and registration was refused.”<sup>54</sup>

In short, the Court was not reaching broadly to adopt one of “two competing interpretations” that would “preserve its flexibility for the future.”<sup>55</sup> Instead, it was applying a straightforward precedent based on the clear text of the copyright statute and on a non-copyright case far removed from any notion of “copyright’s adjectival equity.”<sup>56</sup> The Court’s synthesis

<sup>47</sup> 559 U.S. 154, 169 (2010).

<sup>48</sup> Balganesch & Parchomovsky, *supra* note 1, at 1885.

<sup>49</sup> *Id.*

<sup>50</sup> 559 U.S. at 161 (citing *Arbaugh v. Y & H Corp.*, 546 U.S. 500, 515-16 (2006)).

<sup>51</sup> *Id.* at 161-62, 163.

<sup>52</sup> *Id.* at 161-62.

<sup>53</sup> *Id.* at 164.

<sup>54</sup> *Id.* at 165 (emphasis omitted).

<sup>55</sup> Balganesch & Parchomovsky, *supra* note 1, at 1863.

<sup>56</sup> *Id.* at 1882.

leaves no doubt as to the statutory and doctrinal bases for its decision: “Section 411(a) imposes a precondition to filing a claim that is not clearly labeled jurisdictional, is not located in a jurisdiction-granting provision, and admits of congressionally authorized exceptions.”<sup>57</sup>

In the second case, *Fogerty v. Fantasy, Inc.*, the Court held that victorious defendants (and not just plaintiffs) are able to recover attorneys’ fees in copyright cases.<sup>58</sup> The authors state that such a ruling was intended to “enabl[e] future courts to tailor their awards to the unique circumstances of each case.”<sup>59</sup> “Equitable discretion was thus the touchstone . . . for the Court,” as it was “essential for the realization of copyright’s goals and purposes.”<sup>60</sup>

The Court found it “peculiarly important that the boundaries of copyright law be demarcated as clearly as possible” to foster policies such as promoting “access to creative works.”<sup>61</sup> As a result, defendants “should be encouraged to litigate” their defenses, which “may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim.”<sup>62</sup>

While policy considerations supported defendants’ ability to recover attorneys’ fees, the Court’s allowance of discretion was not the result of “two competing interpretations of the statute, both of which further copyright’s purposes,” with the Court selecting the one “that would preserve its flexibility for the future.”<sup>63</sup> Rather, discretion is more simply explained on two grounds. First, the “plain language” of the statute provides that “the court may . . . award a reasonable attorney’s fee,” with “[t]he word ‘may’ clearly connot[ing] discretion.”<sup>64</sup> Second, fees are not automatic for prevailing parties because “Congress legislates against the strong background of the American Rule,”<sup>65</sup> which means that “unless Congress provides otherwise, parties are to bear their own attorney’s fees.”<sup>66</sup> In short, discretion stems from a straightforward application of the statute and longstanding American Rule, not from a far-reaching theory based on providing courts with flexibility.

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<sup>57</sup> 559 U.S. at 166.

<sup>58</sup> 510 U.S. 517, 534-35 (1994).

<sup>59</sup> Balganesch & Parchomovsky, *supra* note 1, at 1884.

<sup>60</sup> *Id.*

<sup>61</sup> *Fogerty*, 510 U.S. at 527.

<sup>62</sup> *Id.*

<sup>63</sup> Balganesch & Parchomovsky, *supra* note 1, at 1863.

<sup>64</sup> 510 U.S. at 533.

<sup>65</sup> *Id.*

<sup>66</sup> *Id.*



In the third case, *Petrella v. Metro-Goldwyn-Mayer, Inc.*, the Court held that the equitable defense of laches—an “unreasonable, prejudicial delay in commencing suit”<sup>67</sup>—could not block a damages claim of a plaintiff who filed suit within copyright law’s three-year statute of limitations.<sup>68</sup>

The authors contend that allowing the defense of laches would “limit [the Court’s] discretion.”<sup>69</sup> As a result, the Court “rejected altogether the applicability of the laches doctrine to ‘bar’ the suit within the statute of limitations.”<sup>70</sup> In a counterintuitive manner, the authors assert that it was not the *absolute* bar (which prevented courts from applying the laches defense at all) but the *presumptive* bar (which allowed the defense to be applied) that “curbed . . . courts’ equitable discretion.”<sup>71</sup> The authors contend that such a “presumptive bar” was “antithetical to the realization of copyright’s goals on an individual basis,” which is why the Court took “the laches defense off the table altogether.”<sup>72</sup>

The authors believe that the Court’s elimination of the laches defense “preserv[ed] courts’ flexibility and discretion for the future.”<sup>73</sup> But such a view privileges only the copyright owner. It neglects the other side of the equation in ensuring that defendants *cannot* use the defense. Nor is this a theoretical matter. In the case at hand, the copyright holder sued MGM (which held the motion picture rights to the popular film *Raging Bull*) eighteen years after renewing the copyright.<sup>74</sup> She filed suit after “MGM spent millions of dollars developing different editions of, and marketing, the film” and after “three key witnesses died or became unavailable, making it more difficult for MGM to prove that it did not infringe.”<sup>75</sup>

This was not the only example. In his dissent, Justice Breyer highlighted other examples of plaintiffs bringing claims “years after they accrued and where delay-related inequity resulted,”<sup>76</sup> such as claims brought (1) “more than 30 years after [a] song was released”;<sup>77</sup> (2) “19 to 36 years after . . . [seven James Bond] films were released” (with “many of the key figures” having died and “many of the relevant records” going missing);<sup>78</sup> and (3) 40

<sup>67</sup> 134 S. Ct. 1962, 1967 (2014).

<sup>68</sup> *Id.* at 1974.

<sup>69</sup> Balganesch & Parchomovsky, *supra* note 1, at 1886.

<sup>70</sup> *Id.*

<sup>71</sup> *Id.*

<sup>72</sup> *Id.*

<sup>73</sup> *Id.* at 1886-87.

<sup>74</sup> *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1981 (2014) (Breyer, J., dissenting).

<sup>75</sup> *Id.*

<sup>76</sup> *Id.* at 1980.

<sup>77</sup> *Id.* (citing *Ory v. McDonald*, 141 F. App’x 581, 583 (9th Cir. 2005)).

<sup>78</sup> *Id.* (citing *Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 952-56 (9th Cir. 2001)).

years after a claim relating to a copyrighted song had first accrued “where the plaintiff’s memory had faded and a key piece of evidence was destroyed by fire.”<sup>79</sup> As Justice Breyer summarized: “The Court holds that insofar as a copyright claim seeks damages, a court cannot *ever* apply laches, irrespective of the length of the plaintiff’s delay, the amount of the harm that it caused, or the inequity of permitting the action to go forward.”<sup>80</sup>

Supporting an absolute bar that prevents defendants from invoking laches when copyright holders unreasonably and prejudicially delay bringing suit seems like it would not offer the best path to “preserv[e] courts’ flexibility and discretion for the future.”<sup>81</sup>

### III. TECHNOLOGY AND “SUCCESSFUL UPDATING” OF COPYRIGHT LAW

The authors also address technology. “Very few legal areas are as profoundly affected by technological change as is copyright law.”<sup>82</sup> Because of “constant technological change” and “the development of new business models in the market for informational goods and services,” copyright law has needed “to update the applicability of its core goals and ideals to new situations.”<sup>83</sup>

The authors contend that the Supreme Court has a crucial role to play because “[t]he formal content of [copyright’s] statutory directives has routinely proven to be outdated, and legislative reforms have often proven to be an inadequate means of redress.”<sup>84</sup> In these “myriad situations,” the Court “has had to step in and use its interpretive powers to protect the normative integrity of [the] copyright system,”<sup>85</sup> which it could do by “effectively determin[ing] the equity of the copyright statute’s substantive content.”<sup>86</sup> The authors are content that this equity “ensure[s] that behavior and new technologies come to be governed by the spirit and purposes of the copyright system,” and that “[t]hrough a complex interplay between the text of the copyright statute and these purposes, courts have successfully updated copyright doctrine.”<sup>87</sup>

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<sup>79</sup> *Id.* (citing *Newsome v. Brown*, 2005 WL 627639, at \*8-9 (S.D.N.Y. Mar. 16, 2005)).

<sup>80</sup> *Id.* at 1981.

<sup>81</sup> Balganesch & Parchomovsky, *supra* note 1, at 1887.

<sup>82</sup> *Id.* at 1861.

<sup>83</sup> *Id.*

<sup>84</sup> *Id.*

<sup>85</sup> *Id.*

<sup>86</sup> *Id.*

<sup>87</sup> *Id.* at 1869.

In two of the three cases discussed, however, the authors may be too optimistic that the Court successfully updated copyright doctrine.<sup>88</sup>

In the first case, *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, the Court created a new doctrine in the context of secondary liability law (which targets those who do not directly infringe but assist others in infringing) to punish those who "induce" copyright infringement.<sup>89</sup> The authors applaud the Court's project, which was "motivated by the need to balance the conflicting demands of incentives and access."<sup>90</sup>

In reaching this conclusion, the authors take a structure based on the Court's new theory of inducement as their starting point. The Court appeared to construct this novel form of liability to punish "bad actor" defendants. But there were multiple other frameworks the Court could have invoked. The Ninth Circuit had applied well-established law in (1) refusing to find contributory infringement (because neither the Grokster nor StreamCast software "provide[d] the 'site and facilities' for infringement" and did not "otherwise materially contribute to direct infringement"<sup>91</sup>) and (2) denying vicarious liability (because the defendants did not have "the ability to block access to individual users").<sup>92</sup>

There also was significant evidence that the defendants satisfied the test articulated in *Sony Corp. v. Universal City Studios, Inc.* based on their technologies being "capable of substantial noninfringing uses."<sup>93</sup> Approximately 10% of Grokster's uses, covering authorized copies of music, free electronic books, public domain and authorized software, licensed music videos, and television and movie segments, were noninfringing, which concurring Justice Breyer explained was similar to the 9% of authorized time-shifting uses of the VCR in *Sony*.<sup>94</sup>

As applied by the Court, the inducement cause of action did not offer some ideal calibration that promoted access or technological innovation. Such a theory, as articulated by the Court, reached expansively to target the

<sup>88</sup> The Court in the third case, *Sony Corp. v. Universal City Studios, Inc.*, issued a thoughtful decision that offered significant benefits for innovation. 464 U.S. 417 (1984); see also MICHAEL A. CARRIER, *INNOVATION FOR THE 21ST CENTURY: HARNESSING THE POWER OF INTELLECTUAL PROPERTY AND ANTITRUST LAW* 133-35 (2009) (explaining that *Sony* offers a bright-line rule, has played a role in the flourishing of new technologies, and "allows inventors to innovate without needing to receive permission from copyright holders").

<sup>89</sup> 545 U.S. 913 (2005).

<sup>90</sup> Balganesch & Parchomovsky, *supra* note 1, at 1878.

<sup>91</sup> *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*, 380 F.3d 1154, 1163 (9th Cir. 2004), *rev'd*, 545 U.S. 913 (2005).

<sup>92</sup> *Id.* at 1165.

<sup>93</sup> 464 U.S. 417, 442 (1984).

<sup>94</sup> 545 U.S. at 952 (Breyer, J., concurring).

use of an advertising-based model, which could threaten a vast array of Internet and other businesses. The Court's theory also imposed a filtering requirement, which could open the door to unending claims about insufficient remedial measures.

Two examples demonstrate the dangers of such an approach. First, the Sony VCR itself would not have escaped liability under the test, with its advertisements exhorting customers to "build a library" and "record favorite shows."<sup>95</sup> Second, even though earlier peer-to-peer service Napster had installed a filter that blocked nearly all copyrighted works, the district court declared that Napster's efforts were "not good enough" until "every effort" was made to "get zero tolerance."<sup>96</sup> Because the "standard" was "to get it down to zero," the court concluded that Napster needed to "disable its file transferring service," which led to the service filing for bankruptcy and shutting down in 2002.<sup>97</sup>

The authors do not explain how the Court's inducement standard maximizes the incentives/access tradeoff. And considering inducement as the only potential framework leads to the neglect of other, more long-standing doctrines that could have come closer to attaining copyright's objectives. Application of doctrines based on contributory infringement, vicarious liability, and the *Sony* test—doctrines cognizant of the dangers of overaggressive punishment of innovative technologies—could have more successfully calibrated the incentives/access balance.

In short, in (1) manufacturing a new "inducement" test that could apply expansively to punish advertising-based business models and the failure to offer mythical-100%-effective filters, and (2) refusing to apply longstanding doctrines of contributory infringement, vicarious liability, and *Sony* that more carefully consider the incentives/access balance, the Court did not "successfully update" copyright doctrine.

In the second case, *American Broadcasting Cos. v. Aereo, Inc.*, the Court found that a service allowing subscribers to watch broadcast television over the Internet infringed copyright owners' public performance rights.<sup>98</sup> The authors state that the Court "discern[ed] the equity of the copyright statute" to "expand its reach to a new technology" and to ensure that "the

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<sup>95</sup> 464 U.S. at 459 (Blackmun, J., dissenting).

<sup>96</sup> See *A&M Records, Inc. v. Napster, Inc.*, 284 F.3d 1091, 1097 (9th Cir. 2002).

<sup>97</sup> *Id.* at 1096-97; Meghan Collins, *Napster Files for Bankruptcy: Music-Swapping Internet Site, Offline Since July 2001, Seeks Chapter 11 Protection*, CNNMONEY (June 3, 2002), [http://money.cnn.com/2002/06/03/news/companies/napster\\_bankrupt/](http://money.cnn.com/2002/06/03/news/companies/napster_bankrupt/), archived at <http://perma.cc/3E3M-JA5D>.

<sup>98</sup> 134 S. Ct. 2498 (2014).

statute’s balance . . . extends to *all* technologies of retransmission that follow the same structure of cable television.”<sup>99</sup>

But Aereo was *not* a cable system. The Court conceded that the cable systems at issue in earlier cases “transmitted constantly, . . . sen[ding] continuous programming to each subscriber’s television set,” in contrast to Aereo’s system, which “remains inert until a subscriber indicates that she wants to watch a program,” at which time, in response to the request, the system “activate[s] an antenna and begin[s] to transmit the requested program.”<sup>100</sup>

Nor is Aereo’s status as something other than a cable service limited to the Court’s opinion. The Copyright Office has “consistently concluded that Internet retransmission services are not cable systems.”<sup>101</sup> Case law confirmed that an internet streaming service could not benefit from the statutory license for cable systems.<sup>102</sup> And the legislative history that the Court itself cited made clear that it should not be relied upon “as a basis for any significant changes in the delicate balance of regulation in areas where Congress has not resolved the issue.”<sup>103</sup>

In focusing only on the public performance right, the Court (and the authors) neglected logically antecedent issues.<sup>104</sup> The first is volitional conduct, which “distinguishes direct from secondary liability,” and without which “all infringement becomes direct infringement,” with “the entire system collaps[ing].”<sup>105</sup> The “volitional conduct” doctrine has “an impeccable pedigree,” with “[e]very Court of Appeals [that has] considered the . . . doctrine . . . adopt[ing] it.”<sup>106</sup> As Justice Scalia explained in dissent, a defendant “may be held directly liable only if it has engaged in volitional conduct that violates the Act.”<sup>107</sup> Aereo did not satisfy such a test because “subscribers call all the shots.”<sup>108</sup>

<sup>99</sup> Balganesch & Parchomovsky, *supra* note 1, at 1882.

<sup>100</sup> *Aereo*, 134 S. Ct. at 2507.

<sup>101</sup> *WPIX, Inc. v. ivi, Inc.*, 691 F.3d 275, 283 (2d Cir. 2012).

<sup>102</sup> *Id.* at 284.

<sup>103</sup> H.R. REP. NO. 94-1476, at 89 (1976).

<sup>104</sup> See Brief of 36 Intellectual Property and Copyright Law Professors as Amici Curiae in Support of Respondent at 16, *Am. Broad. Cos. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014) (No. 13-461) (arguing that the copyright owners “seek to discard the framework of copyright law and start again with one they like better,” offering a theory that is “a shortcut: a way to avoid being put to their proof”).

<sup>105</sup> *Id.* at 7.

<sup>106</sup> *Id.* at 6.

<sup>107</sup> *Am. Broad. Cos. v. Aereo, Inc.*, 134 S. Ct. 2498, 2512 (2014) (Scalia, J., dissenting).

<sup>108</sup> *Id.* at 2514.

Similarly, the Court did not address the right of reproduction. “Every time a consumer presses ‘record,’ a version of a television program is stored on a hard drive in Aereo’s facilities,” with the hard drive “becom[ing] a ‘copy’” and “the consumer thereby implicat[ing] the copyright owner’s exclusive right to reproduce the copyrighted work in copies.”<sup>109</sup> Selecting the appropriate right for analysis is crucial. The “proliferation of numerous, narrow, and carefully defined rights expresses Congress’s expectations that each right will be construed strictly according to its terms,” which means “[t]he Court should be especially cautious about extending the public performance right . . . given the availability and aptness of the reproduction right.”<sup>110</sup>

One reason the Court may not have considered these frameworks was that it seemed motivated by its view of Aereo as a bad actor. Justice Breyer, for example, stated in oral argument that “it looks as if somehow [Aereo] [was] escaping a constraint that’s imposed upon [cable companies]. That’s what disturbs everyone.”<sup>111</sup> And Chief Justice Roberts worried that Aereo’s “technological model is based solely on circumventing legal prohibitions that [Aereo did not] want to comply with.”<sup>112</sup> As a result, the Court made up a rule that Justice Scalia called “[g]uilt [b]y [r]esemblance” in that Aereo “look[ed] a lot like cable.”<sup>113</sup>

Such an amorphous rule could have detrimental effects on innovation. Two examples are illustrative. Simple.TV is similar to Aereo but allows users to purchase their own antennae.<sup>114</sup> NimbleTV allows users that have already paid for cable to store the cable box at NimbleTV’s facilities.<sup>115</sup> Do either of these “look like” cable enough to fall under the condemnation of the Aereo test? The answer is not clear.

In the music industry, based on interviews of more than thirty high-ranking officials from technology companies, the recording industry, and venture capital firms, I found that vagueness stifles innovation.<sup>116</sup> One

<sup>109</sup> Brief of 36 Intellectual Property and Copyright Law Professors, *supra* note 104, at 8 (internal quotation marks and citations omitted).

<sup>110</sup> *Id.* at 9; *see also id.* at 13 (noting that “secondary liability is a well-established piece of copyright’s infringement machinery,” and “all the secondary liability doctrines incorporate stringent protections for defendants” (internal quotation marks omitted)).

<sup>111</sup> Transcript of Oral Argument at 38, *Am. Broad. Cos. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014).

<sup>112</sup> *Id.* at 41.

<sup>113</sup> *Aereo*, 134 S. Ct. at 2515 (Scalia, J., dissenting).

<sup>114</sup> SIMPLE.TV, <https://us.simple.tv/> (last visited Aug. 16, 2015), *archived at* <http://perma.cc/J8RP-5Y79>.

<sup>115</sup> NIMBLETV, <https://watch.nimbletv.com/how-it-works.php> (last visited Aug. 16, 2015), *archived at* <http://perma.cc/P2VC-WZGR>.

<sup>116</sup> Michael A. Carrier, *Copyright and Innovation: The Untold Story*, 2012 WIS. L. REV. 891 (2012).

record label official stated that the “lack of clarity” in the law is “holding back innovation right now.”<sup>117</sup> He admitted that “if there is lack of clarity in an area, I am going to defend it to the most aggressive interpretation based on my rights.”<sup>118</sup> And “it’s always going to ultimately end up in favor of the content owners” since they “are going to have more resources and capability.”<sup>119</sup>

Relatedly, regardless of a lawsuit’s merits, copyright holders can use such ambiguity to prolong litigation against, and quash, innovators. My interviews uncovered copyright lawsuits that “aren’t necessarily about right or wrong” or “operating within the spirit or the letter of the law,” but are “simply a business strategy.”<sup>120</sup> I heard that record labels achieved “an enormous number of business goals” from the “‘tremendously effective hammer’ of filing suit.”<sup>121</sup> Especially as employed against startups, “lawsuits have an ‘absolute chilling effect,’ with their ‘ultimate success . . . completely irrelevant.”<sup>122</sup> One record label official conceded that “even the threat of a lawsuit . . . really does slow down investment in the space” and that “‘quite a few’ innovative services . . . ‘never came to life’ because of ‘the threat of potential lawsuits from content owners.’”<sup>123</sup> The *Aereo* Court’s “cable-like” standard elicits these same concerns, threatening innovation and not carefully calibrating the incentives/access tradeoff.

In short, the *Grokster* and *Aereo* decisions reveal that the authors may be too optimistic in assuming that the Court “successfully updated copyright doctrine”<sup>124</sup> to address technological developments.

## CONCLUSION

It is worthwhile to consider the role of equity in copyright law. But, even after limiting the universe to a subset of recent Supreme Court cases, the “substantive equity of the statute” does not provide the most persuasive explanation of Court decisions. Much of the authors’ reading of the cases takes the Court’s articulated framework as the only conceivable approach. That leads to the authors supporting *Grokster*’s inducement standard and *Aereo*’s public performance framework even though other structures could

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<sup>117</sup> *Id.* at 945.

<sup>118</sup> *Id.*

<sup>119</sup> *Id.*

<sup>120</sup> *Id.* at 938.

<sup>121</sup> *Id.* at 936.

<sup>122</sup> *Id.* at 937.

<sup>123</sup> *Id.* at 938.

<sup>124</sup> Balganesch & Parchomovsky, *supra* note 1, at 1869.

have more “successfully updated” copyright law to foster a more ideal incentives/access paradigm.

In addition, substantive equity does not explain cases that are more directly, and less ambitiously, rooted in precedent and the clear text of the statute. And adjectival equity does not explain the use of remedial and procedural rules to preserve flexibility.

In short, while the authors offer an interesting and ambitious approach to making sense of recent Supreme Court copyright decisions, their thesis confronts challenges.

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