04-3654

IN THE

United States Court of Appeals

FOR THE EIGHTH CIRCUIT

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DAVIDSON & ASSOCIATES, INC.,
D.B.A. BLIZZARD ENTERTAINMENT,
AND VIVENDI UNIVERSAL GAMES. INC.,

Plaintiffs-Appellees,

v.

INTERNET GATEWAY, INC.,
TIM JUNG, ROSS COMBS,
AND ROB CRITTENDEN,

Defendants-Appellants.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI

Case No. 4:02CV498 CAS

Honorable Charles A. Shaw, United States District Judge

BRIEF *AMICI CURIAE* OF INTELLECTUAL PROPERTY LAW PROFESSORS IN SUPPORT OF DEFENDANTS-APPELLANTS

Peter Jaszi
Glushko-Samuelson Intellectual Property Law Clinic
Washington College of Law
American University
4800 Massachusetts Ave., NW
Washington, D.C. 20016
(202)274-4216

Karen Tokarz
Clinical Education Program
Washington University
School of Law
Anheuser-Busch Hall
One Brookings Drive
St. Louis, Missouri 63130
(314)935-6414

Attorneys for Amici Curiae Intellectual Property Law Professors

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STATEMENT OF INTEREST OF *AMICI CURIAE*[1]

This brief *amici curiae* in support of defendants is submitted by the individuals named in Appendix A hereto, all of whom are teachers and scholars of intellectual property law. As such., *amici* are concerned with maintaining the balance between proprietary control and public access to information that has characterized United States copyright law from its inception. In particular, they subscribe to the proposition that copyright statues should be implemented so as to fulfill the constitutional objective of promoting the "Progress of Science and useful Arts." U.S. Const., Art. I, § 8, cl. 8. *Amici* have a particular interest in seeing that objective furthered through the appropriate regulation of technological innovation under both federal and state law.

The District Court's approach in this case would have significant adverse consequences for innovation, imposing unprecedented and drastic limitations on the practice of "reverse engineering" in software development. Reverse engineering is an important tool of legitimate software development by individuals, small businesses, and large firms. Many of *amici* previously have been involved in advocating judicial recognition of its importance; several of them joined with

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[1] Counsel for *amici curiae* have consulted with counsel for all parties in connection with the filing of this brief, and are authorized to state that they have consented.

others to submit a brief *amici curiae* to the Ninth Circuit Court of Appeals in *Sega Enterprises Ltd. v. Accolade, Inc*., 977 F.2d 1510 (9th Cir. 1992), the leading case holding that otherwise infringing reverse engineering practices can qualify as privileged "fair use" under copyright law.

Although this case involves many important issues, including the proper interpretation of Sec. 1201(f) of the Digital Millennium Copyright Act, in this brief *amici* will confine themselves to the core question of whether the District Court adequately recognized the structural importance of copyright fair use in general, and the *Sega* doctrine in particular. It is our conclusion that it did not.

SUMMARY OF ARGUMENT

The District Court below erroneously endorsed plaintiffs' leveraging of copyrights in proprietary game software to unjustifiably restrict entry by third-parties into an ancillary or related market: the provision of on-line platforms for interactive multi-player gaming. It concluded that by devising the "bnetd" software utility and offering it to on-line gamers on a voluntary non-profit basis, as an optional alternative to the plaintiffs' Battle.net service, the defendants had infringed intellectual property rights and breached contractual obligations.

In particular, the District Court found that by using reverse engineering techniques that involved unauthorized "intermediate reproduction" of the

proprietary game and server software code, the developers of the bnetd software had violated End User License Agreements (EULAs) distributed with plaintiffs' CD-ROMs, as well as Terms of Use (TOUs) that appear on their websites. Such a conclusion, however, runs contrary to the doctrine and policy of settled law regarding the permissibility of reverse engineering in connection with legitimate software development. In particular, an unbroken line of cases, of which *Sega* is perhaps the most notable, stand for the proposition that where copying is necessary to extract unprotected information from a computer program, including information required to reverse engineer software that is "interoperable" (i.e. can function compatibly) with the existing program, there is no violation of copyright. In recent legislation, Congress has explicitly recognized this important copyright principle,

Underlying this principle is a pair of related policy concerns: first, that intellectual property law should serve to promote rather than to frustrate socially useful innovation, and second, that intellectual property owners should not be permitted to misuse their limited legal authority by extending it beyond its actual area of application – the market for the work in question. Both of these aims would be defeated if (for example) the owner of copyright in a computer program could prevent the development of new independent and interoperable programs,

because consumers then would be denied the wider range of lawful alternatives that fair competition otherwise would make available for the use of technology they have bought and paid for. The same would be true if software copyright owners could effectively condition access to their programs on users undertaking not to exercise privileges (such as that for legitimate reverse engineering) that they otherwise would enjoy.

Nevertheless, the District Court concluded that even where reverse engineering of software may qualify as "fair use" under copyright, it can be prohibited by the terms of "shrink-wrap" or "click-on" licenses. This Court should reject that conclusion – both because the enforcement of such contract terms is preempted by copyright and because such contracts constitute misuse of copyright. The case law on which plaintiffs rely, most notably *Bowers v. Baystate Technologies, Inc.*, 320 F.3d 1317 (Fed. Cir. 2003), is factually inapposite and of questionable authority.

ARGUMENT

I. Various Forms of Reverse Engineering Have Been Recognized as Privileged Techniques of New Product Development, Notwithstanding Legal Protections for Proprietary Information including Copyright

A. Reverse Engineering is Routinely Permitted in the Face of Trade Secret and Patent Protection

In general, the term "reverse engineering" can be defined as "tak[ing] something apart to educate yourself about how it works so that you can use your improved level of general knowledge to create better things yourself." Kevin W. Boyer, *Ethics and Computing: Living Responsibly in a Computerized World* 261 (1996). The legal right to engage in reverse engineering to discover a trade secret embedded in a commercial product is well-recognized. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc*., 489 U.S. 141, 160 (1989). Similarly, various doctrines of patent law (such as the requirement for an enabling disclosure, the first sale principle and the experimental use defense) give rise to the functional equivalent of such a right. *See* Pamela Samuelson & Suzanne Scotchmer, *The Law and Economics of Reverse Engineering*, 111 Yale L.J. 1575, 1584-85 (2002).

B. Copyright Has Recognized a Reverse Engineering Privilege with Respect to Computer Software under the General Rubric of "Fair Use"

For most of the nearly three century history of copyright, the issues of a right or privilege to reverse engineer did not arise, since the typical copyrighted products of the analog era (paintings, fiction, motion pictures) actively displayed their mode of functioning rather than concealing it. The general reception of computer programs as a form of copyrightable subject matter, from the early 1980's onward, posed a new challenge: Commercial software can be, and often is, expressed in

digital formats that make information about the design of programs inaccessible to those who purchase and use it. In these cases, a program's mode of functioning can be revealed primarily through the use of reverse engineering techniques, and these often entail some copying of digital code, in general the most intensely protected aspect of a copyrighted program. *See generally Computer Associates Int'l., Inc. v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992). This may occur when the protected code is reproduced so that it can be used to test or "debug" a newly developed and potentially interoperable new program, *see MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 519 (9th Cir. 1993) (" [W]e hold that the loading of software into the RAM creates a copy under the Copyright Act."), or when the new developer engages in "disassembly" – i.e. the translation of computer-readable electronic signals into human-readable language, which necessarily entails the copying of the code as a first step. To assure the continued progress of technological innovation, courts have devised an approach to analyzing such acts of so-called "intermediate reproduction" in terms of the fair use doctrine codified in Sec. 107 of the Copyright Act, 17 U.S.C. §107, which teaches (in essence) that when unauthorized copying produces significant public benefits and imposes relatively low costs on the copyright owner, it should be permitted. *See generally Ty, Inc. v. Publications Int'l Ltd.*, 292 F.3d 512 (7th Cir.

2002) (Posner, J.) (cost-benefit analysis of fair use).

Interestingly, the earliest cases defining the fair use privilege for reverse engineering all involved practices in the highly competitive field of video game distribution, *see generally* Jonathan Dee, *Joystick Nation: How and why video games conquered music, TV and the movies to become America's popular pop culture*, New York Times Magazine, Dec. 21, 2003, at 36, where companies often struggle to achieve market advantage by asserting aggressive intellectual property claims, seeking *inter alia* to "tether" popular games to particular platforms, actual and virtual, on which those games can be played, *see id.* at 38 (characterizing on-line gaming using World Wide Web-based platforms as the "holy grail of gaming" today.)

More than a decade ago, in *Atari Games Corp. v. Nintendo of America, Inc.*, 975 F.2d 832 (Fed. Cir. 1992), the Court of Appeals for the Federal Circuit confronted a situation in which a leading video game console manufacturer (and game software vendor) sought to enforce its copyrights against a competitor that had used reverse engineering to gain an understanding of what was required to make video games that were compatible with the manufacturer's hardware. The court concluded that the competitor's reverse engineering practices, to the extent they were necessary to this socially desirable aim and untainted by the use of

otherwise unlawfully obtained information, were privileged. 975 F.2d at 843-44.

C. *Sega Enterprises Ltd. v. Accolade, Inc.* Provides an Authoritative Statement of the Application of Fair Use to Reverse Engineering

Accolade, which made video games for hardware systems, sought the security code necessary to develop game software that was compatible (or interoperable) with Sega's popular Genesis console, but refused to comply with Sega's licensing terms requiring third-party game manufacturers to refrain from supplying products for competing hardware systems. Instead, Accolade engineers obtained these functionally vital "interface specifications" by disassembling the security chip in the Genesis console and several commercially available Genesis-compatible games. In analyzing these facts, the Court of Appeals for the Ninth Circuit noted that whether the code of Accolade's commercially released games was an unlawful appropriation of Sega's proprietary code was one issue, and whether Accolade's intermediate reproduction in connection with reverse engineering constituted infringement was another. It was on the latter issue that the opinion then focused.

The court applied the four statutory factors and found reverse engineering to be fair use because only the third factor, the "amount and substantiality" of the portion of the copyrighted work used by Accolade, weighed in favor of Sega. Although the commercial purpose for Accolade's reverse engineering was acknowledged, the countervailing public benefit resulting from Accolade's

activities — an increase in the number of independently designed video games and a growth in creative expression — heavily influenced the decision. Thus, it concluded that the intermediate reproduction of copyrighted software was permitted as fair use "where disassembly is the only way to gain access to the ideas and functional elements embodied in a copyrighted computer program and where there is a legitimate reason for seeking such access...." *Sega Enterprises Ltd. v. Accolade, Inc*., 977 F.2d 1510, 1527-28 (9th Cir. 1992). This remains the most authoritative statement of the law on software reverse engineering. Like other judicial applications of the fair use principle, it expresses not just a technical limitation on copyright but an important affirmative policy that favors access to and dissemination of useful knowledge.

D. Subsequent Decisions Confirm the *Sega* Principle

1. Post-*Sega* Decisions Uniformly Acknowledge the Appropriateness of the Principle

As the District Court acknowledged, *Sega* is the leading authority on copyright and reverse engineering. Even courts that have declined to find fair use in connection with particular software development practices have acknowledged that *Sega* provides the appropriate basis for analyzing whether copying a work (which is a technical violation of copyright) in connection with reverse engineering constitutes fair use. *See, e.g., Triad Systems Corp. v. Southeastern Express Co.*, 64

F.3d 1330, 1337-38 (9th Cir. 1995) (defendant merely copied proprietary software and used it as it was designed to be used); *DSC Communications Corp. v. Pulse Communications, Inc*., 170 F.3d 1354, 1363 (Fed Cir. 1999) (defendant merely sought to demonstrate interchangeability of interface cards).

In other cases, the *Sega* principle has been applied to determine that reproduction in connection with reverse engineering did constitute fair use. For example, the Court of Appeals for the Eleventh Circuit, in *Bateman v. Mnemonics, Inc*., 79 F.3d 1532 (11th Cir. 1996), found that rationale to be persuasive when assessing the propriety of disassembling a competitor's operating system in order to make compatible hardware and software for that operating system. 79 F.3d at 1540 ("We find the Sega opinion persuasive in view of the principal purpose of copyright -- the advancement of science and the arts"). Crucially, for present purposes, no court has suggested that the *Sega* principle should not apply when the copyright status of acts of reverse engineering is at issue**.**

2. Among the Most Recent Judicial Affirmations of the *Sega* Principle Is Sony v. Connectix, Which Bears Strong Similarities to the Present Case

First-generation cases involving reverse engineering for interoperability, like *Sega* itself, tended to focus on what might be called "game-to-platform" interoperability – i.e., the efforts of a game developer to devise software that was

compatible with existing gaming platforms. In *Sony Computer Entm't, Inc v. Connectix Corp.*, 203 F.3d 596 (9th Cir. 2000), the Court of Appeals for the Ninth Circuit focused instead on "platform-to-game" interoperability. There, the defendant company sought to offer game players an "emulator" program that would permit them to play the plaintiffs' games on their personal computers, as an alternative to doing so on the plaintiffs' proprietary hardware systems. Significantly, the court noted that considerable intermediate reproduction had occurred. In order to develop a

> PlayStation emulator, Connectix needed to emulate both the PlayStation hardware and the firmware (the Sony BIOS) [i.e., the software environment permanently installed on chips incorporated into the hardware].
>
> Connectix first decided to emulate the PlayStation's hardware. In order to do so, Connectix engineers purchased a Sony PlayStation console and extracted the Sony BIOS from a chip inside the console. Connectix engineers then copied the Sony BIOS into the RAM of their computers and observed the functioning of the Sony BIOS.....
>
> Once they had developed the hardware emulation software, Connectix engineers also used the Sony BIOS to "debug" the emulation software. In doing so, they repeatedly copied and disassembled discrete portions of the Sony BIOS.
>
> Connectix also used the Sony BIOS to begin development of the Virtual Game Station for Windows....

203 F.3d at 601.

With this information and the *Sega* principle in mind, the court conducted a fair use analysis and concluded that the defendant's copying was privileged rather than infringing. In so finding, it put significant emphasis on the dynamics of

competition in the video game industry:

> [Plaintiff Sony may lose console sales and profits.] But because the Virtual Game Station is transformative, and does not merely supplant the PlayStation console, the Virtual Game Station is a legitimate competitor in the market for platforms on which Sony and Sony-licensed games can be played. *See Sega,* 977 F.2d at 1522-23. For this reason, some economic loss by Sony as a result of this competition does not compel a finding of no fair use. Sony understandably seeks control over the market for devices that play games Sony produces or licenses. The copyright law, however, does not confer such a monopoly. *See id.* at 1523-24 ("An attempt to monopolize the market by making it impossible for others to compete runs counter to the statutory purpose of promoting creative expression and cannot constitute a strong equitable basis for resisting the invocation of the fair use doctrine.").

Id. at 607-08. Thus, it is clear that the *Sega* principle has not been and should not be restricted to situations that are on all fours with the original decision.

II. The *Sega* Principle Was Confirmed by the U.S. Congress in the 1998 Digital Millennium Copyright Act

A. As Initially Proposed, the Legislation Did Not Provide an Exemption for Reverse Engineering

As case law concerning the anti-circumvention or "paracopyright" provisions of the 1998 Digital Millennium Copyright Act has made clear, the fair use principle of copyright law does not operate of its own force to relieve parties from liability from avoiding or bypassing technological protection measures (such as encryption schemes or passwords) applied to copyrighted works in digital formats, or for making available to others the means by which such circumvention may be

accomplished. *See Universal City Studios, Inc. v. Corley*, 273 F.3d 429, 444-45 (2d. Cir. 2001). Thus, it was a matter of concern when early versions of this legislation, such as H.R. 2441, the "National Information Infrastructure Copyright Protection Act," 104th Cong. (1995) and H.R. 2281, the "WIPO Copyright Treaties Implementation Act," 105th Cong., (1997), were introduced without any specific exception for reverse engineering. Software developers, scholars and others realized that without such an exemption, the provisions of what would become 17 U.S.C. §1201 could effectively outlaw what the *Sega* principle permits. *See, e.g.*, Statement of Douglas Bennett on behalf of the Digital Future Coalition, WIPO Copyright Treaties Implementation Act and Online Copyright Liability Limitation Act: Hearings Before the House Judiciary Subcomm. on Courts and Intellectual Property 240, 243 , 105th Cong. (1997) at 240-44 (Sec. 1201 could "prevent legitimate 'reverse engineering' in the development of new software [effectively overturning a series of judicial decisions recognizing reverse engineering as a legitimate fair use.]"). *See generally* Pamela Samuelson, *Intellectual Property and the Digital Economy: Why the anti-circumvention regulations need to be revised*, 14 Berkeley Tech L.J. 519 (1999) (reviewing legislative debates).

B. As Finally Enacted, Sec. 1201(f) Represented Recognition of the Importance of the Policies Underlying *Sega*

The final text of the DMCA, as codified, included a generous exception for

circumvention (and providing circumvention tools) in connection with legitimate software development. According to 17 U.S.C. Sec. 1201(f), intermediate reproduction in connection with efforts to achieve interoperability (broadly defined in §1201(f)(4) as "the ability of computer programs to exchange information, and of such programs mutually to use the information which has been exchanged") is subject to a special statutory privilege if certain conditions are met. Of these conditions, the most important may be that the new interoperable program devised through reverse engineering must be an "independently created" one, *see* 17 U.S.C. §1201(f)(1) and (2), rather than a slavish imitation. Clearly, this exception is designed to effectuate the *Sega* principle in a new legal environment.

This conclusion is underscored by the language of the relevant congressional reports:

> Subsection (f) is intended to allow legitimate software developers to continue engaging in certain activities for the purpose of achieving interoperability to the extent permitted by law prior to the enactment of this chapter. The objective is the ensure that the effect of current case law interpreting the Copyright Act is not changed by enactment of this legislation for certain acts of identification and analysis done in respect of computer programs. *See Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992). *The purpose of this subsection is to avoid hindering competition and innovation in the computer and software industry.*

House Judiciary Comm, Section-by-Section Analysis of H.R. 2281 as Passed by the United States House of Representatives on August 4, 1998, 105th Cong. (Comm Print, Sept. 1998) at 14 (emphasis added); *accord* Senate Judiciary Comm., Report

105-190, 105th Cong. (1998) at 13, 32.

Significantly, by enacting Section 1201(f), Congress chose to protect continued access to the functional elements of software that are the focus of the *Sega* principle. *See* 17 U.S.C. §1201(f)(1) (circumvention allowed where technology measure "effectively controls access to a particular portion of that program for the sole purpose of identifying and analyzing" ... if those acts "do not constitute infringement under this title"). Just as the courts had carefully deployed fair use analysis to prevent copyright from walling off the functional features of works (including software programs), Congress was careful to keep this window on functionality open while adopting new limitations on access to and copying of protected expression.[2]

III. Strong Policies Favoring Innovation and Market Competition Undergird the *Sega* Principle

The highlighted language in the passage quoted above from the legislative history of the DMCA reverse engineering exception has special significance,

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[2] Although this brief does not directly address the District Court's application of Sec. 1201(f) to the plaintiffs' claims of unauthorized circumvention, we should note that, in our view, the District Court's treatment of this important exemption was too narrow and grudging to comport with Congressional intent. On this point, the District Court's decision reflects the same general analytic shortcoming that undergirds its erroneous resolution of the EULA- and TOU-based claims: a failure to appreciate the affirmative, pro-access policies that are reflected in the *Sega* decision and the line of cases following it.

summing up not only the policy underlying the Sec. 1201(f) exemption but also that which animates the *Sega* principle that exemption was designed to maintain. As Jonathan Band and Masanobu Katoh have put it,

> The underlying question in the debate over the permissibility of software reverse engineering is whether the public interest in reverse engineering outweighs the copyright owner's private interest in preventing the copying incidental to software reverse engineering. The courts [and we might now add, the Congress] have unambiguously answered that the public interest does outweigh the private interest.

Interfaces on Trial: Intellectual Property and Interoperability in the Global Software System 169 (1995).

As already noted, this public interest has two intimately related components. Privileges for reverse engineering are both pro-consumer and pro-competitive. They help to assure that more and better products and services are available to consumers. They also help to prevent copyright owners from leveraging their limited rights into something they were never intended to enjoy: an effective stranglehold on market entry by competitors. *See* Lawrence D. Graham, Legal Battles That Shaped the Computer Industry 111 (1999) ("[W]ithout knowledge of certain details about the competitor's hardware or software, development of a competing product may not be possible.")

IV. The Same Policies Militate Against Enforcing Limitations on Reverse Engineering under Mass Market Agreements

Prohibiting all reverse engineering by "shrink wrap" and "click on" licenses not only burdens those whose fair use rights are directly effected, but creates undesirable third party effects as well. *See generally* David McGowan, *Free Contracting, Fair Competition, and Article 2B: Some Reflections on Federal Competition Policy, Information Transactions, and "Aggressive Neutrality,"* 13 Berkeley Tech. L.J. 1173 (1998). Thus, such enforcement is circumscribed by several well-recognized doctrines of copyright law.

A. Insofar as They Prohibit Reverse Engineering Permissible under the *Sega* Principle, the Plaintiffs' EULAs and TOUs Are Preempted by Copyright Law

The District Court took an erroneously narrow view of the basis upon which copyright preemption of state law may be found. Although the enforcement of some restrictive provisions in copyright licenses may not be expressly preempted under 17 U.S.C. § 301(a), *see ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996),[3] there is an alternative basis (not discussed in the *ProCD* opinion) on which courts can and should find preemption when contract terms seek to override or nullify fundamental purposes and objectives built into the scheme of federal copyright. This is so called "conflict preemption." Conflict preemption is an

[3] This assumption is explored at greater length in section IV.C.2 of this Brief, *infra.*

important general principle of constitutional jurisprudence, and it applies even in circumstances where Congress has legislated express preemption. *See, e.g., Geier v. American Honda Motor Co.,* 529 U.S. 861, 870-72 (2000) (presence of express preemption and savings clauses did not preclude operation of normal conflict preemption principles).

Specifically, conflict preemption applies in copyright cases. In the recent decision in *Orson, Inc. v. Miramax Film Corp*., 189 F.3d 377, 382 (3rd Cir. 1999), the Court of Appeals for the Third Circuit put it thus:

> [S]tate law may be displaced under conflict-preemption principles if the state law in question presents a conflict with federal law in one of two situations ... [including] when the state law "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress," *Jones v. Rath Packing Co.*, 430 U.S. 519, 525 (1977).

It went on to conclude that because "section 203-7 of the Pennsylvania Feature Motion Picture Fair Business Practices Law 'stands as an obstacle' to the federally created exclusive rights given to a copyright holder, namely, the exclusive right to distribute the copyrighted work, it is preempted by the federal Copyright Act." 189 F.3d at 386-87. *See also Sears, Roebuck & Co. v. Stiffel Co.,* 376 U.S. 225, 229 (1964) ("When state law touches upon the area of [the copyright statutes], it is 'familiar doctrine' that the federal policy 'may not be set at naught, or its benefits denied' by the state law" (quoting *Sola Elec. Co. v. Jefferson Elec. Co.,* 317 U.S.

173, 176 (1942)); *Brown v. Ames*, 201 F.3d 654, 659-660 (5th Cir. 2000) (Stating that "although section 301 preemption is not appropriate, conflict preemption might be," though ultimately finding otherwise.)

Likewise, enforcement of EULAs and TOUs should be preempted when, as here, it interferes with the fair use rights of software innovators, recognized in the Copyright Act, to engage in legitimate reverse engineering pursuant to the *Sega* principle. As we have emphasized, that principle is closely tied to the most fundamental constitutional objectives of the copyright system. Federal supremacy requires that it be maintained in the face of state law interference.

B. Alternatively, Enforcement of the EULAs and TOUs Should Be Denied Under the Doctrine of Copyright Misuse

The anti-reverse engineering provisions of the plaintiffs EULAs represent an effort to bootstrap the limited authority conferred upon them by the copyright law into control over activities that are, under settled law, beyond the scope of the copyright monopoly. In other words, the EULA terms aim to achieve by other means what, pursuant to the *Sega* principle, cannot be accomplished through copyright enforcement.

Thus, enforcement of the EULA terms should be denied pursuant to the increasingly well-established principle of "copyright misuse," which exists to assure that copyright law will not produce inappropriate anti-competitive effects.

See Dan L. Burk, *Anticircumvention Misuse*, 50 U.C.L.A. L.Rev.. 1095, 1124-1132 (2003) (general discussion of misuse principle).

Recently, the Seventh Circuit Court of Appeals explored how the leverage afforded by copyright law may be employed to impermissibly extend the limited monopoly through restrictive licensing terms. In *Assessment Technologies of Wisconsin, LLC v. Wiredata, Inc.*, 350 F.3d 640, 646-47 (7th Cir. 2003) (Posner, J.), the Court of Appeals specifically recognizes that allowing licensees to use copyright works, while preventing them from doing what intellectual property law otherwise would permit, "might constitute copyright abuse":

> The doctrine of misuse "prevents copyright holders from leveraging their limited monopoly to allow them control of areas outside the monopoly." *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1026-27 (9th Cir. 2001); see *Alcatel USA, Inc. v. DGI Technologies, Inc.*, 166 F.3d 772, 792-95 (5th Cir. 1999); *Practice Management Information Corp. v. American Medical Ass'n*, 121 F.3d 516, 520-21 (1997), amended, 133 F.3d 1140 (9th Cir. 1998); *DSC Communications Corp. v. DGI Technologies, Inc.*, 81 F.3d 597, 601-02 (5th Cir. 1996); *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970, 976-79 (4th Cir. 1990).... Cases such as *Lasercomb*...cut misuse free from antitrust, pointing out that the cognate doctrine of patent misuse is not so limited....

In the instant case, a contract was similarly used to achieve results that the limited monopoly conferred by copyright law could not in itself accomplish. The *Sega* principle, which the District Court avoided, is a significant limitation on the copyright monopoly that should not be subject to evasion through private

arrangements imposed through the exercise of copyright power.

We are concerned that while recognizing the existence of the dynamic doctrine of copyright misuse, the District Court saw fit to dismiss its applicability at least in substantial part because "defendants are asserting the copyright misuse doctrine as a defense to a contract claim....[and a]s a result the copyright misuse defense may be inapplicable." *Davidson Assocs., Inc. v. Internet Gateway, Inc.,* F. Supp. 2d 1164, 1182 (E.D. Mo. 2004). By denying that the logic of copyright misuse should apply with equal force in such a situation, the District Court artfully avoids the central question: whether a term in a mass market contract that expands the copyright monopoly by displacing a central aspect of copyright fair use is a misuse. At the very least, this issue deserves to be reanalyzed free from the influence of the District Court's misplaced and unjustified "reluct[ance] to apply the copyright misuse defense ... to a contract claim," 334 F. Supp. 2d at 1182-83.[4]

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[4] The authority relied upon by the District court, *Pollstar* v. *Gigmania Ltd.*, 170 F. Supp. 2d 974 (E.D. Cal. 2000), does not explain why the copyright misuse defense should be limited to copyright infringement. Its analysis is compounded of a mistake (taking a partial description of the doctrine in earlier case law for a general prescription) and a *non sequitur* (the proposition that misuse does not invalidate copyright) :

> Finally, Gigmania argues that any contract should be rendered unenforceable under the doctrine of copyright misuse. A copyright misuse arises when the plaintiff uses its copyright to enlarge its monopoly of the copyright..... *"A successful defense bars the culpable*

In the field of patent law, the Supreme Court has shown no reluctance to recognize the abuse of patent power as a defense to a contract-based claim. *See Brulotte v. Thys Co.*, 379 U.S. 29, 33 (1964) ("[A] patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se.")

C. The *Bowers* Decision, Relied Upon by the District Court, Does Not Support Enforcement of EULAs and TOUs That Prohibit Legitimate Reverse Engineering Falling Within the *Sega* Principle

The District Court relies extensively on *Bowers v. Baystate Technologies, Inc.*, 320 F.3d 1317 (Fed. Cir. 2003), where the Court of Appeals for the Federal Circuit found, *inter alia*, that so-called "shrink-wrap" agreements that prohibited purchasers of commercially available software from engaging in reverse engineering were valid and enforceable. This aspect of the *Bowers* decision has been extensively criticized in the literature, from a variety of perspectives, as have the authorities on which *Bowers*, in turn, relies. *See, e.g.*, David A Rice, *Copyright and Contract: Preemption after* Bowers v. Baystate, 9 Roger Williams U. L. Rev.

> *plaintiff from prevailing on an action for infringement of the misused copyright." Lasercomb, 911 F.2d at 977. However, copyright misuse does not invalidate a copyright; it only precludes its enforcement during the period of misuse. Practice Management, 121 F.3d at 520.*
>
> In the present case, the court need not decide whether there was copyright misuse because Plaintiff does not allege copyright infringement.

170 F. Supp. 2d at 982 (emphasis added).

595, 644 (2004) ("The legal reasons for rejecting *Bowers* and its startling statute-preemption effects are compelling. Fortunately, the majority decision is not binding in any other federal circuit because the issue was one of copyright rather than patent law."); Llewellyn Joseph Gibbons, *Entrepreneurial Copyright Fair Use: Let the Independent Contractor Stand in the Shoes of the User*, 57 Ark. L. Rev. 539, 540 n.3 (2004) ("The more persuasive line of cases and the ones more fully founded in sound public policy reject this contention."); *Note: Annual Review of Law and Technology – Business Law: Copyright-Contract Intersection*, 18 Berkeley Tech. L.J. 349, 367-69 (2003) ("The Federal Circuit's preemption analysis in Bowers completely failed to consider constitutional preemption under the Supremacy Clause."); Daniel R. Cahoy, *Oasis or Mirage?: Efficient Breach as a Relief to the Burden of Contractual Recapture of Patent and Copyright Limitations*, 17 Harv. J. Law & Tech. 135, 175 (2003) ("It appears that Judge Dyk's dissent [in *Bowers*] was directed to considerations of fairness.... The majority ... dismissed the concern by suggesting that real world economics minimize the effect. This Article's analysis negates the majority's per se determination and demonstrates how Judge Dyk's dissent is supportable on economic grounds."). *See also* Michael J. Madison, *Rights of Access and the Shape of the Internet*, 44 B.C. L. Rev. 433, 495 n.318 (2003) ("*ProCD* v.

Zeidenberg ... has been heavily criticized in the copyright community for its simplistic analysis of the argument that the contract claim in that case was preempted by federal copyright law."); Jon. M. Garon, *Normative Copyright: A Conceptual Framework for Copyright Philosophy and Ethics*, 88 Cornell L. Rev. 1278, 1320 (2003) ("*ProCD* and its progeny change the legal balance and social relationship between the law and the public, adopting an absolutist approach in favor of the content distributor."). In this and other respects, as discussed below the District Court's reliance of *Bowers* was seriously misplaced

1. *Bowers* is Distinguishable on its Facts

The District Court fails to note that the activities of the defendants' in the *Bowers* case would not, by any analytic stretch, have fallen within the privilege that exists under the *Sega* principle. As the Federal Circuit majority was at pains to point out, the evidence showed that the defendants had engaged in reverse engineering not to understand the functionality of the protected program and create an independent one, but to engage in egregious free-riding. One expert stated that he had

> examined the relevant software programs to determine "the overall structure of the operating program" such as "how the operating programs actually executed the task of walking a user through creating a [GD&T] symbol." Mr. Spencer concluded: "In the process of taking the [ANSI Y14.5M] standard and breaking it down into its component parts to actually create a step-by-step process for a user using the software, both

> Geodraft and Draft-Pak [for DOS] use almost the identical process of breaking down that task into its individual pieces, and it's organized essentially identically."

Likewise, an officer of the plaintiff company

> testified that he had compared Geodraft and Draft-Pak. When asked to describe the Draft-Pak interface, Mr. Ford responded: "It looked like I was looking at my own program [i.e., Geodraft]." Both Mr. Spencer and Mr. Ford explained in detail similarities between Geodraft and the accused Draft-Pak. Those similarities included the interrelationships between program screens, the manner in which parameter selection causes program branching, and the manner in which the GD&T symbols are drawn.
>
> Both witnesses also testified that those similarities extended beyond structure and design to include many idiosyncratic design choices and inadvertent design flaws.... As another example, neither program requires the user to provide "angularity tolerance" secondary datum to create a feature control frame--a technical oversight that causes creation of an incomplete symbol. In sum, [one] testified: "Based on my summary analysis of how the programs function, their errors from the standard and their similar nomenclatures reflecting nonstandard items, I would say that the Draft-Pak [for DOS] is a derivative copy of a Geodraft product."

320 F.3d at 1326-27. In short, the defendants' practices were indefensible under the *Sega* principle; thus, the *Bowers* decision has nothing to teach about the appropriateness of enforcing contract terms that bar reverse engineering that falls within the scope of the *Sega* principle.

2. *Bowers* Misapplies 17 U.S.C. §301

The majority opinion in *Bowers*, moreover, wrongly decided the question under Section 301 of the Copyright Act, 17 U.S.C. § 301(a). Seeking to predict

the First Circuit's views on preemption, the Federal Circuit majority held: (1) that state law that includes an "extra element" of liability beyond the exclusive rights enumerated in the Copyright Act are not preempted (unless the extra elements are illusory); and (2) that in any event statutory rights or affirmative defenses can be waived. 320 F.3d at 1324-26. However, the majority did not clearly explain how a violation of the reverse engineering license prohibition would have entailed a meaningful "extra element." By contrast, Judge Dyk's opinion (dissenting on the issue of copyright preemption) noted that the "extra element" test is subsidiary to the more general relevant inquiry under Section 301 preemption, at least in the First Circuit: Whether the state law action "is equivalent in substance to a copyright infringement claim...." 320 F.3d at 1335 (citing *Data General Corp. v. Grumman Sys. Support Corp.*, 36 F.3d 1147, 1164-65 (1st Cir. 1994)). In light of this general standard, Judge Dyk concluded that "the First Circuit would ... hold [that state law authorizing shrinkwrap licenses that prohibit reverse engineering is preempted] because the extra element here 'merely concerns *the extent to which* authors and their licensees can prohibit unauthorized copying by third parties.'" 320 F.3d at 1338 (quoting *Data General*, 36 F.3d at 1165) (emphasis in original). In that case, as in this one, any extra element in the plaintiffs' state law claim is trivial or illusory. In arriving at his conclusion, moreover, Judge Dyk relied

specifically on the caution articulated by this Court in *National Car Rental v. Computer Assocs. Int'l, Inc.*, 991 F.2d 426 (8th Cir. 1993), "that a contractual restriction could impermissibly 'protect rights equivalent to the exclusive copyright rights.'" *Id.* at 1338 (quoting *National Car Rental*, 991 F.2d at 432).[5]

3. *Bowers* Fails to Address Conflict Preemption

Judge Dyk also articulated a rationale for finding the prohibitions on reverse engineering in the plaintiffs' EULAs and TOUs to be prohibited on the alternative basis of preemption arising from a conflict of purposes and objectives, which the *Bowers* majority had failed to address:

> The test for preemption by copyright law, like the test for patent law preemption, should be whether the state law "substantially impedes the public use of the otherwise unprotected" material. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 157, 167 (1989) (state law at issue was preempted because it "substantially restricted the public's ability to exploit ideas that the patent system mandates shall be free for

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[5] In *National Car Rental*, this Court ultimately found the specific contract claim not to be preempted because "the contractual restriction on use of the programs constitutes an additional element making this cause of action not equivalent to a copyright action.... CA does not claim that National is doing something that the copyright laws reserve exclusively to the copyright holder, or that the use restriction is breached 'by the mere act of reproduction, performance, distribution or display.' Instead, on this posture, CA must be read to claim that National's or EDS's processing of data for third parties is the prohibited act." 991 F.2d at 431-32. By contrast, in the instant case, the Defendants' challenged reverse engineering practices consist of no more and no less than acts of unauthorized reproduction!

> all to use."); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225...(1964). See also *Eldred v. Ashcroft*, 537 U.S. 186 (2003) (applying patent precedent in copyright case).

The courts have recognized the importance of the *Sega* principle and Congress has reiterated and (where the DMCA is concerned) codified that policy. Finding liability here would prevent what the courts and Congress sought to allow. As cogently stated by Judge Dyk in dissent, "[t]he majority's approach permits state law [by enforcing shrinkwrap license contracts of adhesion] to eviscerate an important federal copyright policy reflected in the fair use defense, and the majority's logic threatens other federal copyright policies as well.... There is, moreover, no logical stopping point to the majority's reasoning," which would allow state law contracts to override all federal copyright policies. 320 F.3d at 1335, 1337. In effect, the District Court's approach would read conflict preemption out of the Constitution.

By contrast, when faced with a state law that authorized enforcement of all prohibitions against reverse engineering in shrink-wrap licenses, the Court of Appeals for the Fifth Circuit, in *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255, 270 (5th Cir. 1988), found a clear case of conflict preemption. It concluded that the state statute was preempted under the rule of the *Sears* case because it "clearly 'touches upon an area' of federal copyright law." *Vault* predates *Sega*, and was

decided on the basis of a conflict between the Louisiana statute and 17 U.S.C. §117. After *Sega*'s recognition of the strong pro-competitive policies underlying the role of copyright fair use in enabling legitimate reverse engineering, the logic of the *Vault* opinion is more apt than ever.

The *Bowers* majority dismisses the *Vault* precedent in passing with the observation that it applies to affirmative state legislation rather than (as here) state action to enforce private agreements. 320 F.3d at 1325-26. Although it does not discuss conflict preemption as such, the *Bowers* majority implicitly embraces a minimalist view of this important doctrine: according to its analysis (as Judge Dyk pointed out), no public policy in intellectual property, no matter how important, could escape contractual override. In reliance on *Bowers*, the District Court in this case entirely overlooked the issue of conflict preemption, notwithstanding the issue having been squarely raised by defendants in connection with their motion for Summary Judgment. Such an analytic oversight cannot be countenanced given the state of contemporary copyright law, especially after the Supreme Court's acknowledgment of the structural (and constitutional) centrality of fair use to copyright in *Eldred v. Ashcroft*, 537 U.S. 186, 219-20 (2003) (fair use is among the "built-in accommodations" that ordinarily protects copyright law from challenge under the First Amendment). As one commentator has put it, "Under Eldred, such

copyright doctrines as fair use ... are not simply details of copyright law. Rather, they are necessary for copyright law as such to be constitutionally permissible. In that case, they must represent bed-rock policy of copyright law." Stephen M. McJohn, *Eldred's Aftermath: Tradition, the Copyright Clause, and the Constitutionalization of Fair Use*, 10 Mich. Telecommun. Tech. L. Rev. 95, 135 (2003). To the extent that the EULAs and TOUs involved in this case conflict with the non-controversial application of fair use embodied in *Sega*, they cannot survive preemption analysis.

CONCLUSION

For the foregoing reasons, the District Court's grant of plaintiffs' Motion for Summary Judgement should be reversed.

Respectfully submitted,

Peter Jaszi
Glushko-Samuelson
Intellectual Property Law Clinic
Washington College of Law
4801 Massachusetts Avenue, NW
Washington, DC 20016-8184
(202) 274-4216

Counsel for *amici*

_____
Karen Tokarz
Director of Clinical Education
Washington University School of Law
Anheuser-Busch Hall
One Brookings Drive
St. Louis, Missouri 63130
(314)935-6414

Dated: January _____, 2004

APPENDIX A

Listing of Amici Curiae Intellectual Property Law Professors*

John R. Allison
McCombs School of Business, University of Texas at Austin

Keith Aoki
University of Oregon School of Law

Ann Bartow
University of South Carolina School of Law

James Boyle
Duke University School of Law

Dan L. Burk
University of Minnesota Law School

Andrew Chin
University of North Carolina School of Law

Julie E. Cohen
Georgetown University Law Center

Stacey Dogan
Northeastern University School of Law

Eric Easton
University of Baltimore School of Law

Christine Haight Farley
American University, Washington College of Law

Dan Hunter
The Wharton School, University of Pennsylvania

Peter D. Junger
Case Western Reserve University School of Law

Dennis S. Karjala
Arizona State University School of Law

Joseph Liu
Boston College Law School

Mark Lemley
Stanford Law School

Lydia Pallas Loren
Lewis & Clark Law School

Michael J. Madison
University of Pittsburgh School of Law

Mark P. McKenna
Saint Louis University School of Law

Charles R. McManis
Washington University School of Law

Victoria Phillips
American University, Washington College of Law

Malla Pollack
Univ. of Idaho, College of Law

David A. Rice
Roger Williams University School of Law

Pamela Samuelson
University of California, Berkeley, School of Law

Joshua Sarnoff
American University, Washington College of Law

David E. Sorkin
John Marshall Law School

Deborah Tussey
Oklahoma City University School of Law

* Affiliations are listed for purposes of identification only.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of BRIEF *AMICI CURIAE* OF INTELLECTUAL PROPERTY LAW PROFESSORS IN SUPPORT OF DEFENDANTS-APPELLANTS was duly served upon counsel for Plaintiffs-Appellees Davidson & Associates, Inc., D.B.A. Blizzard Entertainment, and Vivendi Universal Games, Inc., and on counsel for Internet Gateway, Inc., Tim Jung, Ross Combs, and Rob Crittenden, Defendants-Appellants. by forwarding two copies of the Brief, and 3.5" floppy diskettes containing a .pdf version of the Brief via overnight courier addressed to each of the following:

Stephen H. Rovak
Kirill Y. Abramov
Sonnenschein Nath & Rosenthal LLP
One Metropolitan Square, Suite 3000
St. Louis , Missouri 63102

Jason M. Schultz
Electronic Frontier Foundation
454 Shotwell Street
San Francisco, CA 94110

Robert M. Galvin P
Paul S. Grewal
Richard C. Lin
Day Casebeer Madrid & Batchelder LLP
20300 Stevens Creek Blvd. Suite 400
Cupertino, CA 95014

and

Mark Sableman
Matthew Braunel Thompson Coburn LLP
One US Bank Plaza
St. Louis, MO 63101-1611

Additionally, the original and ten copies also have been sent via overnight courier for next business day delivery to:

Clerk of the Court
U.S. Court of Appeals Clerk's Office
For the Eighth Circuit
Thomas F. Eagleton Courthouse
Room 24.329
111 South 10th Street
St. Louis, MO 63102

Dated: January _____, 2004

By:_____
Peter Jaszi

CERTIFICATE OF COMPLIANCE

The undersigned hereby certifies that this brief complies with Fed. R. App. P. 32(a)(7)(B). It contains 6989 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii); has been prepared in proportionally spaced typeface using WordPerfect 10 in 14 pt. Times New Roman font; and includes a virus free 3.5" floppy disk in .pdf format.

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Peter Jaszi