IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

DAVIDSON &ASSOCIATES, INC., D.B.A BLIZZARD ENTERTAINMENT, and VIVENDI UNIVERSAL GAMES, INC.,	)	**BRIEF *AMICI CURIAE* OF INTELLECTUAL PROPERTY LAW PROFESSORS IN SUPPORT OF DEFENDANTS' MOTION FOR SUMMARY JUDGEMENT**
Plaintiffs,	)	
v.	)	**Case No. 4:02CV498 CAS**
INTERNET GATEWAY, INC., TIM JUNG, an individual ROSS COMBS, an individual ROB CRITTENDEN, an individual, YI WANG, an individual, and JOHN DOES 1-50,	)	
Defendants.	)	

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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 in United States law schools. Their institutional affiliations are provided for purposes of identification.

As scholars of intellectual property law, *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 regulation of technological innovation under both federal and state law.

Adoption of the plaintiffs' theory 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 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 reverse engineering practices can qualify as privileged "fair use" under copyright law.

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[1] Counsel for *amici curiae* have consulted with all parties concerning the filing of this brief, and are authorized to state that defendants' counsel has consented thereto and plaintiffs' counsel has expressed no objection. Glushko-Samuelson Intellectual Property Clinic Students, Ryan Chirnomas, Jessica Mickelson, Christopher Paulraj, and Juliet Speisman participated in the preparation of this brief.

SUMMARY OF ARGUMENT

In this case, plaintiffs' seek to extend the rights they enjoy in their proprietary game software to restrict entry by third-parties into an ancillary or related market: the provision of on-line platforms for interactive multi-player gaming. In particular, the complaint alleges that the defendants, in devising the software that drives the BNETD utility they offer to on-line gamers as an optional alternative to the plaintiffs' Battle.net service, have infringed various intellectual property interests.

At the heart of these allegations is the claim that the BNETD software was developed by means of reverse engineering techniques that violated plaintiffs' copyrights in the game and and server software, because those techniques involved unauthorized "intermediate reproduction" of proprietary software code. Plaintiffs also assert that the same techniques represented a breach of defendants' contractual obligations under end-license user agreements (or EULA's) accompanying the software.

Such claims, however, run contrary to the doctrine and policy of settled law regarding the permissibility of reverse engineering in connection with software development. In particular, an unbroken line of cases, of which *Sega* is perhaps the most notable, stand for the proposition that where intermediate copying of the code of an existing program is necessary to extract unprotected information, including information required for the development of original new software that is "interoperable" (i.e. can function compatibly) with that existing program, no violation of copyright occurs by virtue of such intermediate copying. Moreover, this interpretation of copyright law was congressionally confirmed through the enactment of the anti-circumvention provisions of the Digital Millennium Copyright Act of 1998, P.L. No. 104-304.

Underlying these developments 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 policies would be frustrated 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. Likewise, these policies would be frustrated 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.

Thus, plaintiffs' claim – 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 – should be rejected, either because the enforcement of such contract terms is preempted by copyright or 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 of questionable authority; moreover, even if *Baystate* was correctly decided it is inapposite to the present case, since it deals with the enforcement of contract terms in circumstances in which the contractually prohibited acts were *not* privileged under copyright law.

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 Boasts, 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 picture) 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 Intl., 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 Intern. 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 G ames 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 to the extent the competitor's reverse engineering practices were necessary to this socially desirable aim, and untainted by the use of otherwise unlawfully obtained information, they 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 exclusivity from third-party game manufacturers. 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 statement remains the most authoritative statement of the law on software reverse engineering.

D. Subsequent Decisions Confirm the *Sega* Principle

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

Since *Sega,* even courts that have rejected the application of that case's principle to particular facts before them have acknowledged that it provides the appropriate basis for analyzing whether intermediate reproduction 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 Comm. Corp. v. Pulse Comm., Inc.*, 170 F.3d 1354, 1363 (Fed Cir. 1999).

In other cases, the *Sega* principle has been applied to determine that intermediate reproduction has constituted fair use. For example, the Court of Appeals for the Eleventh Circut, 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 development to devise software that was compatible with existing gaming platforms. In *Sony Computer Ent., 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 in conjunction with the Virtual Game Station hardware emulation software as that hardware emulation software was being developed by Connectix. The engineers observed the operation of the Sony BIOS through use of a debugging program that permitted the engineers to observe the signals sent between the BIOS and the hardware emulation software. During this process, Connectix engineers made additional copies of the Sony BIOS every time they booted up their computer and the Sony BIOS was loaded into RAM.
>
> 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. Specifically, they made daily copies to RAM of the Sony BIOS and used the Sony BIOS to develop certain Windows-specific systems for the Virtual Game Station for Windows. Although Connectix had its own BIOS at the time, Connectix engineers used the Sony BIOS because it contained CD-ROM code that the Connectix BIOS did not contain.

With this information and the *Sega* principle in mind, the court conducted a fair use analysis and concluded that the defendant's intermediate reproduction 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.").

203 F.3d 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 rules 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 the provisions of 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 not protected by copyright law. *See* 17 U.S.C. §1201(f)(1) (circumvention allowed where technology measure "effectively controls access to a particular portion of the 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 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.

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, 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 intimately two related components. Privileges for reverse engineering are pro-consumer and pro-competitive. They help to assure that more and better products and services are available to consumers, and to assure that copyright owners do not succeed in 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 License Agreements

A. Insofar as They Prohibit Reverse Engineering Permissible under the *Sega* Principle, the Plaintiff's EULA's Are Preempted by Copyright Law

Even assuming that state law enforcement of some contract provisions restricting fair use may not be expressly preempted under 17 U.S.C. § 301(a), *see ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996),[2] there remains 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 relationships built into the scheme of federal copyright. This is so called "conflicts" preemption. Conflicts preemption is an important general principle of constitutional jurisprudence, and it applies even in circumstances where Congress has legislated express preemption. *See, e.g., Gaier v. American Honda Motor Co., Inc.,* 529 U.S. 861, 870-72 (2000) (presence of express preemption and savings clauses did not preclude operation of normal conflicts preemption principles).

Specifically, conflicts preemption applies in copyright cases. In the recent case in *Orson, Inc. v. Miramax Film Corp.*, 189 F.3d 377, 382 (3rd Cir. 1998), 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 387. *See also Sears, Roebuck & Co. v. Stiffel*, 376 U.S. 225, 229 (1964) ("When state law touches on an area of [the copyright statutes],

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

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)).

Likewise, enforcement of EULA's should be preempted when, as here, it would interfere with the recognized right of software innovators to engage in legitimate reverse engineering pursuant to the *Sega* principle. As we have seen, 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 EULA's Should Be Denied Under the Doctrine of Copyright Misuse

The anti-reverse engineering provisions of the plaintiff's EULA's 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. Specifically, *Assessment Technologies of Wisconsin, LLC v. Wiredata, Inc.*, 350 F.3d 640, 647 (7th Cir. 2003) (Posner, J.), recognizes that using contracts that license third parties to use copyright works but prevent them from doing what intellectual

property law otherwise would permit may be an abuse of authority that rises to the level of "copyright misuse":

> 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, *911 F.3d at 977-78*, though a difference is that patents tend to confer greater market power on their owners than copyrights do, since patents protect ideas and copyrights, as we have noted, do not. The argument for applying copyright misuse beyond the bounds of antitrust, besides the fact that confined to antitrust the doctrine would be redundant, is that for a copyright owner to use an infringement suit to obtain property protection, here in data, that copyright law clearly does not confer, hoping to force a settlement or even achieve an outright victory over an opponent that may lack the resources or the legal sophistication to resist effectively, is an abuse of process.

The same may be said for the use of a contract to achieve results that the limited monopoly conferred by copyright law could not in itself be deployed to achieve. The *Sega* principle, which plaintiffs here seek to avoid, is a non-trivial limitation on the copyright monopoly which should not be subjection to evasion through private arrangements imposed through the exercise of copyright power.

C. The *Baystate* Decision, Relied Upon by Plaintiffs, Does Not Countenance the Enforcement of EULA's Prohibiting Legitimate Reverse Engineering Falling Within the *Sega* Principle

1. *Baystate* is Distinguishable on its Facts

In their submissions to this Court, Plaintiffs emphasize that in *Bowers v. Baystate Technologies, Inc.*, 320 F.3d 1317 (Fed. Cir. 2003), 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. They fail to note, however, that the activities of the defendants' in that case would not, by any analytic stretch, fall within the privilege that exists under the *Sega* principle. As the court 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 *Baystate* decision has nothing to teach about the appropriateness of enforcing terms that bar reverse engineering that falls within the scope of the *Sega* principle.

2. *Baystate* Misapplies 17 U.S.C. §301

The majority opinion in *Baystate*, 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 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) addressed 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 Plaintiff's state law claim is trivial or illusory. In arriving at this conclusion, moreover, Judge Dyk relied specifically on the caution articulated by the Court of Appeals for the Eighth Circuit, in *National*

Car Rental v. Computer Associates 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 432.[3]

3. *Baystate* Fails to Address Conflict Preemption or Copyright Misuse

Judge Dyk also articulated a rationale for finding the prohibitions on reverse engineering in the plaintiffs' EULA's to be prohibited on the alternative basis of preemption based on conflicts of purposes and objectives, which the *Baystate* majority 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 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 (for the DMCA) 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

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[3] In *National Car*, the Eighth Circuit found the 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!

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.

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), concluded that the state law was preempted under the rule of the *Sears* case because it "clearly 'touches upon an area' of federal copyright law." Although *Vault* was decided prior to *Sega*, and therefore goes off on a conflict between the Louisiana statute and 17 U.S.C. §117, the logic of the opinion remains apt today. Because the enforcement of license terms sought by plaintiffs' directly conflicts with a well-established copyright principle, it should not be allowed.

CONCLUSION

For the foregoing reasons, the defendants' Motion for Summary Judgement should be granted.

Respectfully submitted,

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I hereby certify that on this 21st day of February, 2004, a true and correct copy of **BRIEF *AMICI CURIAE* OF INTELLECTUAL PROPERTY LAW PROFESSORS** was served as noted below upon:

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