PERMISSIBLE ERROR?: WHY THE NINTH CIRCUIT’S INCORRECT APPLICATION OF THE DMCA IN MDY INDUSTRIES, LLC V. BLIZZARD ENTERTAINMENT, INC. REACHES THE CORRECT RESULT

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I. INTRODUCTION

Americans spent over $16.6 billion on video games in 2011.\(^1\) Young Americans spend over an hour per day playing video games.\(^2\) With more than 145 million Americans playing in 2011,\(^3\) video games have become one of America’s new favorite pastimes.\(^4\) At its peak in 2010, Blizzard Entertainment, Inc.’s “World of Warcraft” (“WoW”) had over twelve-million monthly subscribers.\(^5\) Although its user count has dropped somewhat, WoW is still one of the world’s most popular computer games.\(^6\)

Blizzard, like most other video game producers, is protected under U.S. copyright law as an “audiovisual work.”\(^7\) With the possibility of statutory damages up to $150,000 or actual damages (if provable),\(^8\) it is imperative that the court system draws clear and logical standards for issues stemming from copyright protections, especially in burgeoning industries like video games, where confusion could cause major negative impacts.

The Ninth Circuit recently made waves in the area of law where video games and copyright intersect with their decision in MDY Industries, LLC v. Blizzard Entertainment, Inc. In this case, the Ninth Circuit employed the “Vernor Test” to determine if WoW players were licensees or owners of the game software.\(^9\) The court also used a test employed in Sun Microsystems, Inc. v. Microsoft Corp. (“Sun Test”) which differentiated between “covenants” and “conditions” to determine whether WoW players infringed on Blizzard’s copyright by using a “bot” program.\(^10\) The largest amount of controversy caused by the MDY decision comes from the court’s holding that the Digital Millennium Copyright Act (“DMCA”) \(\S\) 1201(a)(2) created a new

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\(^2\) Id.
\(^3\) Id.
\(^4\) See id.
\(^9\) MDY Indus., LLC v. Blizzard Entm’t, Inc., 629 F.3d 928, 938-39 (9th Cir. 2010).
\(^10\) Id. at 939-40.
protection for copyright holders. This holding created a circuit split and made accurate interpretation of the DMCA more difficult.

Although some argue that the Ninth Circuit erred in their holding in MDY, this note will argue that the correct result was achieved, although through somewhat contorted means. This note argues that the use of the Vernor Test employed by the Ninth Circuit is the best test for determining whether a game user is a licensee or owner of the game software. This note also argues against the court’s use of the Sun Test. Finally, it argues that although the court was incorrect to interpret the DMCA § 1201(a)(2) as creating a cause of action absent infringement, the conduct of MDY should be a violation of copyright law, and should thus be actionable under the DMCA. Part II will describe the background of the parties involved in the MDY decision and the Ninth Circuit decision. Part III will analyze the court’s holdings and reasoning, and offer suggestions for changes in copyright law that would increase copyright protection of video game manufacturers.

II. BACKGROUND

A. U.S. Copyright Law and The Digital Millennium Copyright Act

U.S. copyright law is based on a balance of rights between a copyright holder and users of copyrighted goods. Under copyright law, holders of a copyright are granted the exclusive right to reproduce, modify, distribute, display publicly, and perform publicly the subject matter protected by their copyright.

The DMCA was enacted in 1998 to update U.S. copyright law and bring the nation in line with several World Intellectual Property Organization (“WIPO”) treaties. There are five titles under the

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11 Id. at 945.
12 See id. at 950 (“While we appreciate the policy considerations expressed by the Federal Circuit in Chamberlain, we are unable to follow its approach.”).
13 See generally Brandon T. Crowther, Keep Your Program Out of My Game: The Ninth Circuit’s Convoluted Copyright Analysis in MDY Industries, LLC v. Blizzard Entertainment, Inc., 2012 BYU L. REV. 461 (2012) (arguing against the Ninth Circuit’s holding that the DMCA created a cause of action in addition to traditional copyright protections); Ross Shikowitz, License to Kill: MDY v. Blizzard and the Battle Over Copyright in World of Warcraft, 75 BROOK. L. REV. 1015 (2010) (arguing that the decision in MDY v. Blizzard was incorrectly decided).
14 Relevant sections to this paper are contained in 17 U.S.C. § 1201(a)(1)(A), (a)(2), and (b)(1) (2006).
16 U.S. Copyright Office, U.S. Copyright Office Summary of the Digital
DMCA that implement the WIPO treaties, prohibit circumvention of technological protections of copyrighted material, and create penalties for violators, among other things.\textsuperscript{17} There are three sections of the DMCA relevant to this note: § 1201(a)(1)(A),\textsuperscript{18} § 1201(a)(2),\textsuperscript{19} and § 1201(b)(1).\textsuperscript{20} Section 1201(a)(1)(A) expressly prohibits circumvention of a technological measure that “effectively controls access to a work protected under” the copyright statutes.\textsuperscript{21} Section 1201(a)(2) prohibits individuals to “manufacture, import, offer to the public, provide, or otherwise traffic in any technology” that’s primary use or main purpose is to circumvent a technological protection meant to control access to a copyrighted work.\textsuperscript{22} Similarly, § 1201(b)(1) also prohibits the trafficking of certain technologies, but the class of technologies prohibited is broader, covering any technology that circumvents a


\begin{itemize}
\item \textsuperscript{17} See id.
\item \textsuperscript{18} 17 U.S.C. § 1201(a)(1)(A) (2006) (“Violations regarding circumvention of technological measures.—(1)(A) No person shall circumvent a technological measure that effectively controls access to a work protected under this title. The prohibition contained in the preceding sentence shall take effect at the end of the 2-year period beginning on the date of the enactment of this chapter.”).
\item \textsuperscript{19} 17 U.S.C. § 1201(a)(2) (“No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that—
\begin{itemize}
\item (A) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title;
\item (B) has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work protected under this title; or
\item (C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing a technological measure that effectively controls access to a work protected under this title.”).
\item \textsuperscript{20} 17 U.S.C. § 1201(b)(1) (“Additional violations.—(1) No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that—
\begin{itemize}
\item (A) is primarily designed or produced for the purpose of circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof;
\item (B) has only limited commercially significant purpose or use other than to circumvent protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof; or
\item (C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof.”).
\item \textsuperscript{21} 17 U.S.C. § 1201(a)(1)(A).
\item \textsuperscript{22} 17 U.S.C. § 1201(a)(2).
\end{itemize}
\end{itemize}
protection of any rights of a copyright holder under copyright law. All of these sections fall under the “anti-circumvention” section of the statute.

To enforce these protections, the DMCA contains penalties for violations. Parties injured by a violation of § 1201 can choose to bring a civil action in Federal court under § 1203, where the statute allows equitable and monetary relief, including statutory damages of up to $2,500 per act of circumvention/product distributed. In addition to civil penalties, the DMCA also imposes criminal penalties for those who “willfully and purposefully” violate the DMCA for “commercial advantage and private financial gain,” of up to $500,000 and five years in prison for a first offense.

B. The First Sale Doctrine and Essential Step Defense

There are certain statutory limitations on the rights of copyright holders which protect a user in some cases of infringement. These protections include the First Sale Doctrine and the Essential Step Defense. The First Sale Doctrine allows owners of a copy of a copyrighted work to resell the copyrighted work to others without seeking permission from the copyright holder. Thus, this statutory right limits the copyright holder’s right of distribution to the initial sale of a copyrighted good.

Like the First Sale Doctrine, the Essential Step Defense limits the rights of a copyright holder. The Essential Step Defense allows an owner of a copy of copyrighted software to make a copy of that software onto their computer if creating a new copy is “an essential step in the utilization of the computer program.” This is a very important protection for owners of a copy of software because installing a program onto a computer requires the computer to make a copy of the program.

\[^{24}\] See U.S. Copyright Office, supra note 16, at 3.
\[^{25}\] See id. at 2.
\[^{28}\] Vernor v. Autodesk, Inc., 621 F.3d 1102, 1107 (9th Cir. 2010).
\[^{32}\] Id. (explaining how the First Sale Doctrine “define[s] the very scope of the exclusive rights of copyright to the first instance.”).
\[^{34}\] See Terence Leong, When the Software We Buy is Not Actually Ours: An continued . . .
C. World of Warcraft

World of Warcraft ("WoW") is a massively multiplayer online role-playing game ("MMORPG"), which allows thousands of players from around the world to play simultaneously in a virtual world. Players create and customize a virtual character, picking from a variety of mythical races including humans, dwarves, and orcs, each with their own unique benefits. Players also choose a "class" for their character, such as warrior, shaman, or rogue, which determines the skills and strategy that a player will use while playing their character. As the player progresses through the game, their character gains experience and becomes stronger, allowing them to explore higher level areas of the game that lower experience characters could not survive in.

Before playing WoW, a player has to download game client software, which is stored on the player’s computer, and the game server software, which allows subscribing players to access Blizzard’s online servers. Blizzard also requires players to accept an End User License Agreement ("EULA") and Terms of Use ("ToU") before playing. This EULA expressly calls the relationship between Blizzard and the game user a license agreement, stating "subject to the license granted hereunder, [users] may not . . . copy, photocopy, [or] reproduce" the game. The Blizzard EULA also places restrictions on the user’s ability to transfer the program, stating that in order to transfer, the user must transfer all of the materials "solely in the form" in which the game was purchased from Blizzard. Other restrictions are placed on the user as well, such as restricting the right to keep copies of the WoW software upon termination of the EULA, an inability to stop Blizzard from modifying the WoW software through patches, and an inability to force Blizzard to

*Analysis of Vernor v. Autodesk on the First Sale Doctrine and Essential Step Defense, 10 NW. J. TECH. & INTELL. PROP. 239, 244 (2012).*

35 *See What is World of Warcraft, WORLD OF WARCRAFT, http://us.battle.net/wow/en/game/guide/ (last visited Feb. 9, 2013).*

36 *Id.*

37 *Id.*

38 *See id.*

39 *See MDY Indus., LLC v. Blizzard Entm’t, Inc., 629 F.3d 928, 935 (9th Cir. 2010).*

40 *See id.*


42 *Id.* at 6.

43 *Id.*
continue the EULA if Blizzard decides to terminate the agreement. Players who choose not to accept both the EULA and the ToU are not allowed to play the game, and can receive a refund of the purchase price.

D. Glider Program and Blizzard Response

In March, 2005, a man named Donnelly, who was both a software programmer and WoW player, developed a program called Glider. Glider is a software “bot” that acts as an autopilot for the early gameplay of WoW. A player using Glider can leave the game running while they spend time doing other activities, returning to find a character with more experience and loot. In the summer of 2005, Donnelly started to sell Glider to other WoW users through MDY’s website. At that point, Blizzard’s EULA and ToU did not prohibit the use of bot programs.

In the fall of 2005, Blizzard implemented a technology called Warden to prevent WoW players using bots, and other third-party software, from playing WoW. Blizzard underwent significant costs to implement this protective software. Blizzard changed its ToU to make using bot programs a violation and began banning players caught using them. In response to Blizzard’s launch of Warden, Donnelly created Glider Elite, a program designed to avoid detection by Warden, and continued selling this new program, despite being aware that Blizzard forbade the use of bot programs. MDY received $3.5 million in revenue from roughly 120,000 sales of the Glider programs.

E. The Initial Suit and the District Court Opinion

MDY initiated a suit against Blizzard in December 2006 “seeking a declaration that Glider [did] not infringe Blizzard’s copyright or

44 Id. at 7-8.
45 MDY Indus., LLC, 629 F.3d at 935.
46 Id.
47 Id.
48 Id.
49 Id. at 936.
50 Id.
51 Id.
52 See id.
53 Id.
54 See id.
55 Id.
other rights.” Blizzard counterclaimed, alleging MDY and Donnelly committed vicarious copyright infringement, violated the DMCA §§ 1201(a)(2) and (b)(1), and tortuously interfered with contracts between Blizzard and WoW players.

The district court partially granted Blizzard’s motion for summary judgment, finding that MDY and Donnelly were liable under the DMCA § 1201(a)(2) because it accessed WoW’s source code. The district court also granted summary judgment in favor of Blizzard for the issues of vicarious copyright infringement and tortious interference with contract. Following a bench trial, the district court also found MDY and Donnelly liable under the DMCA § 1201(b)(1) because Glider was being designed to avoid detection by the Warden technology. As penalties, the court entered a judgment for $6.5 million in damages and also “permanently enjoined MDY from distributing Glider.”

F. The Ninth Circuit Decision

The Ninth Circuit reversed both the district court’s finding that MDY and Donnelly were liable under the DMCA § 1201(b)(1), and on the issue of vicarious infringement. The Ninth Circuit also reversed the trial court’s granting of summary judgment on the issue of tortious interference with contract, remanding the issue for trial. Finally, the Ninth Circuit upheld the trial court’s finding that MDY and Donnelly were liable under the DMCA § 1201(a)(2).

1. Issue of Vicarious Infringement

The first issue contemplated by the Ninth Circuit was whether MDY committed contributory or vicarious infringement when it sold Glider to WoW players. The court stated that MDY would be guilty of vicarious infringement if “it (1) ha[d] the right and ability to control Glider users’ putatively infringing activity and (2) derive[d] a direct

\[56\] Id. at 937.
\[57\] Id.
\[58\] Id.
\[59\] Id.
\[60\] Id.
\[61\] Id.
\[62\] Id. at 935.
\[63\] Id.
\[64\] Id.
\[65\] Id. at 937.
financial benefit from their activity.”66 In order to decide this issue, the court first had to determine whether or not WoW players directly infringed on Blizzard’s copyright, since there can be no secondary infringement without direct infringement by a third party.67

a. The Vernor Decision Analysis

While performing this infringement analysis, the Ninth Circuit first had to decide whether WoW players owned their copy of WoW, or licensed the software. If players owned their copy of WoW, then copying WoW onto their RAM after violating the EULA and ToU would not constitute direct infringement under the Essential Step Defense.68 In its analysis, the court applied the test it used in Vernor v. Autodesk, Inc.69 In Vernor, the plaintiff purchased copies of a design program created by Autodesk, Inc. from one of Autodesk’s customers, which the defendant then attempted to sell on eBay.70 The software program was sold with an accompanying “Software License Agreement” (“SLA”), which customers had to agree to before installation of the software.71 Purchasers of the program who chose not to accept the SLA were allowed to return the software and received a full refund.72 Plaintiff was in the business of selling items on eBay, and had purchased a copy of the program at a garage sale.73 Plaintiff was aware that sales of the program were normally accompanied with an SLA, but plaintiff did not believe he was bound by the SLA since he did not purchase the program through Autodesk.74 After his purchase of the program, the plaintiff put the program copy on eBay, which eBay halted after Autodesk filed a DMCA take-down

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66 Id. at 937-38 (citing MGM Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 930 (2005)).
67 Id. at 937 (citing A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1020 (9th Cir. 2001)).
68 Id. at 938; 17 U.S.C. § 117(a)(1) (“Making of additional copy or adaptation by owner of copy.—Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided: (1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner.”).
69 MDY Indus., LLC, 629 F.3d at 938.
70 Vernor v. Autodesk, Inc., 621 F.3d 1102, 1103 (9th Cir. 2010).
71 Id. at 1104.
72 Id.
73 Id. at 1105.
74 Id.
notice. Although the plaintiff eventually sold several copies of the program on eBay, his account with eBay was suspended due to repeated complaints by Autodesk, which led to an action by plaintiff against Autodesk.

In the action, plaintiff sought a declaratory judgment that his selling of the program on eBay was protected by the First Sale Doctrine. During its analysis, the Ninth Circuit examined past cases which addressed similar issues, and from those cases, the court prescribed the three considerations that have become the “Vernor Test.” Under this test, a court examines three considerations to determine if a software user is a licensee or owner of a copy: (1) “whether the copyright owner specifies that a user is granted a license;” (2) “whether the copyright owner significantly restricts the user’s ability to transfer the software;” and (3) “whether the copyright owner imposes notable use restrictions.” The court then applied this test to the facts and found that all three elements were met, so the parties that sold the program to plaintiff were licensees, who were not entitled to sell their copy of the program to plaintiff. Therefore, because plaintiff had improperly acquired the software, the Ninth Circuit vacated the district court order granting summary judgment in favor of plaintiff, and remanded the decision for further proceedings where Vernor could not rely on the First Sale Defense or the Essential Step Doctrine.

Using the Vernor Test in MDY, the Ninth Circuit examined the Blizzard EUA, noting the EULA referred to the agreement as a “license,” imposed transfer restrictions on users, and imposed significant other use restrictions on users. This finding led the Ninth Circuit to conclude that WoW players were licensees, which meant that “Glider users may not claim the essential step defense” to infringement.

b. The Sun Microsystems Decision Analysis

Once determining that WoW users had a license to use the WoW
software, the Ninth Circuit then determined whether violating the EULA and ToU constituted direct infringement.\(^85\) If Glider users were found to violate the scope of their license, this would constitute direct infringement, \(^86\) which would lead to a finding of vicarious infringement by MDY and Donnelly.\(^87\) The court applied the standard used in *Sun Microsystems, Inc. v. Microsoft Corp.*, which distinguishes between “conditions,” which limit a license’s scope, and “covenants,” which are all other license terms.\(^88\)

In the *Sun Microsystems* decision, Sun Microsystems (“Sun”) sued Microsoft for copyright infringement, alleging that Microsoft had exceeded the scope of their license to use the Java program.\(^89\) The Java program is primarily used by programmers to write programs that are able to work on any operating system.\(^90\) Sun had granted Microsoft a license to “make, access, use, copy, view, display, modify, adapt, and create Derivative Works of the Technology in Source Code form” and to “sell or otherwise distribute” any improvements in the Java program to customers.\(^91\) One of the terms of the license agreement required that any version of Java that Microsoft produced be compatible with Java’s standards of compatibility.\(^92\) After more than a year, Sun took issue with a “polluted” version of Java that Microsoft was distributing to its customers, which had been modified and no longer conformed to Java’s compatibility standards, leading to the action before the court.\(^93\)

The district court granted Sun’s motion for a preliminary injunction, which stopped Microsoft from selling its version of Java or from distributing programs that had been developed with Java, but were not compatible with Java’s standards.\(^94\) The Ninth Circuit began its analysis with the copyright infringement claim to see if the preliminary injunction was properly granted.\(^95\) The court noted that the issue would turn on whether or not Microsoft had acted outside the scope of its license, or if it had merely violated a condition, which was

\(^{85}\) See id.
\(^{86}\) Id.
\(^{87}\) Id. at 938 (“If Glider users directly infringe, MDY does not dispute that it satisfies the other elements of contributory and vicarious infringement.”).
\(^{88}\) Id. at 939 (citing *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115, 1120 (9th Cir. 1999)).
\(^{89}\) *Sun Microsystems, Inc., v. Microsoft Corp.*, 188 F.3d 1115, 1117 (9th Cir. 1999).
\(^{90}\) Id. at 1118.
\(^{91}\) Id.
\(^{92}\) Id.
\(^{93}\) Id.
\(^{94}\) Id. at 1118–19.
\(^{95}\) Id. at 1119.
not actionable under any copyright law, and would lead the preliminary injunction to fail.\textsuperscript{96} The “Sun Test,” distinguished between “covenants” and “conditions.”\textsuperscript{97} “Conditions” are terms in a license agreement which “limit a license’s scope.”\textsuperscript{98} A violated condition amounts to exceeding a license’s scope, which can give rise to infringement claims.\textsuperscript{99} “Covenants” are the terms in license agreements that are not conditions.\textsuperscript{100} Violating a covenant does not create an action for infringement, and the only remedy for a copyright holder would be under contract law.\textsuperscript{101}

Applying the Sun Test, the MDY court examined the language of the EULA and ToU and determined that the provisions breached by Glider’s use were covenants.\textsuperscript{102} Because the provisions were covenants, Glider users did not infringe on Blizzard’s copyrights,\textsuperscript{103} which led to a reversal of the district court’s finding that MDY and Donnelly were liable for vicarious infringement.\textsuperscript{104}

2. \textit{DMCA Issues}

The second issue considered by the Ninth Circuit was whether MDY violated DMCA §§ 1201(a)(2) and (b)(1) by reprogramming the Glider program to avoid detection by the Warden technology.\textsuperscript{105} The court noted that the DMCA was enacted “to provide effective legal remedies against the circumvention of protective technological measures used by copyright owners,” and began its analysis of the two provisions at issue with this goal in mind.\textsuperscript{106}

The court first examined the DMCA provisions at issue to decide whether they prohibit circumvention of access controls when no infringement of a copyright has occurred.\textsuperscript{107} After analyzing the text, the court determined § 1201(b)(1) was only intended to “reinforce copyright owners’ traditional exclusive rights under § 106,” but § 1201(a)(1)-(2) was read to extend “a new form of protection, i.e., the

\textsuperscript{96}Id.
\textsuperscript{97}MDY Indus., LLC v. Blizzard Entm’t, Inc., 629 F.3d 928, 939 (9th Cir. 2010).
\textsuperscript{98}Id.
\textsuperscript{99}Id.
\textsuperscript{100}Id.
\textsuperscript{101}Id.
\textsuperscript{102}Id. at 939-40.
\textsuperscript{103}See id. at 939-42.
\textsuperscript{104}Id. at 941-42.
\textsuperscript{105}Id. at 942-43.
\textsuperscript{106}Id. (citing Universal City Studios, Inc. v. Corley, 273 F.3d 429, 440 (2d Cir. 2001)).
\textsuperscript{107}Id. at 943.
right to prevent circumvention of access controls, broadly to works protected . . . ” under copyright law.\textsuperscript{108} By reaching this holding, the Ninth Circuit declined to follow the Federal Circuit’s interpretation of § 1201(a), which held that the statute requires plaintiffs to demonstrate an “infringement nexus,”\textsuperscript{109} i.e., requiring proof of infringement before the DMCA could be violated.

After this DMCA analysis, the court applied each section of the statute to the facts. Starting with § 1201(a)(2), the court concluded that all the elements for violating the statute were met “with respect to WoW’s dynamic non-literal elements,” i.e., the audio visual display of the game.\textsuperscript{110} After concluding that § 1201(a)(2) was violated, the Ninth Circuit upheld the district court’s injunction against MDY.\textsuperscript{111} Unlike the § 1201(a)(2) claim, the Ninth Circuit held that MDY did not violate § 1201(b)(1).\textsuperscript{112} The court referred to its finding that using Glider was a violation of a covenant, which did not constitute copyright infringement, and since Warden did not protect against violation of Blizzard’s copyright protections, MDY was not liable under § 1201(b)(1).\textsuperscript{113}

3. The Tortious Interference Claim

The final issue contemplated by the Ninth Circuit was the tortious interference claim.\textsuperscript{114} The district court granted summary judgment in favor of Blizzard on this issue, finding that even viewing the facts most favorably to MDY, all of the elements for tortious interference with a contract under Arizona law were met.\textsuperscript{115} On appeal, the Ninth Circuit noted that four of the five elements of the claim were met, but held that there was a triable issue of fact on whether MDY’s actions were improper.\textsuperscript{116} As such, the Ninth Circuit vacated the order granting summary judgment to Blizzard.\textsuperscript{117}

\textsuperscript{108} Id. at 945.
\textsuperscript{109} Id. at 948. For a complete explanation of the “infringement nexus requirement,” see Chamberlain Grp., Inc. v. Skylink Techs., Inc., 381 F.3d 1178, 1203 (Fed. Cir. 2004).
\textsuperscript{110} Id. at 953-54.
\textsuperscript{111} Id. at 954.
\textsuperscript{112} Id.
\textsuperscript{113} Id. at 954-55.
\textsuperscript{114} Id. at 955.
\textsuperscript{115} Id.
\textsuperscript{116} Id.
\textsuperscript{117} Id. at 957-58.
III. ANALYSIS

The Ninth Circuit’s MDY holding can be split into two segments, both of which have major implications: first, the court’s analysis of the vicarious infringement claim under the Vernor Test and the Sun Test; and second, the court’s DMCA analysis.

A. Implications of the Vicarious Infringement Analysis

During its analysis of the vicarious infringement issue, the Ninth Circuit used two tests: the Vernor Test and the Sun Test. The court’s decision to use both of these tests comes with major consequences on copyright law and will greatly impact decisions in the gaming industry.

1. Implications of the Ninth’s Circuit’s Use of the Vernor Test

The Ninth Circuit’s decision to use the Vernor Test is a huge victory for copyright holders. This test establishes a low threshold that allows copyright holders to create a license through careful wording of their EULA. If a EULA “specifies that the user is granted a license,” the owner “significantly restricts the user’s ability to transfer the software,” and the owner “imposes notable use restriction,” then courts following the Ninth Circuit’s decision will treat the user as a licensee.\(^{118}\)

Whether the purchaser of software is an owner or licensee of the software has huge implications on the purchaser’s rights, and the rights of the copyright holder. If a purchaser is an owner of a copy of software, they are allowed to transfer that software under the protection of the First Sale Doctrine.\(^{119}\) Under the First Sale Doctrine, individuals who own a copy of copyrighted software may resell the copy, effectively infringing on a copyright holder’s exclusive distribution right.\(^{120}\) Licensees, by contrast, are not able to resell a copyrighted good if it exceeds the scope of their license.\(^{121}\)

Like the First Sale Doctrine, a licensee of copyrighted software cannot invoke the Essential Step Defense.\(^{122}\) Under the Essential Step Defense, the exclusive right to copy a copyrighted program is limited

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\(^{118}\) Id. at 938 (quoting Vernor v. Autodesk, Inc., 621 F.3d 1102, 1111 (9th Cir. 2010) (internal quotations omitted)).


\(^{120}\) UMG Recordings, Inc. v. Augusto, 628 F.3d 1175, 1180 (9th Cir. 2011).

\(^{121}\) Vernor v. Autodesk, Inc., 621 F.3d 1102, 1111 (9th Cir. 2010).

\(^{122}\) MDY Indus., LLC, 629 F.3d at 938.
in certain circumstances.\(^{123}\) This defense allows owners of a copy of copyrighted software to make a copy of that software if the copy is “created as an essential step in the utilization of the computer program in conjunction with a machine and . . . is used in no other manner.”\(^{124}\)

Although some writers are critical of the Vernor Test,\(^{125}\) it does have many benefits. Perhaps the greatest benefit is the clarity that the Vernor Test provides when determining whether a purchaser of copyrighted software is a licensee or owner of the particular copy purchased.\(^{126}\) Given the implications of the licensee versus owner distinction, it is imperative that courts use a test that allows copyright holders and consumers to predict whether they own their copy of copyrighted software, or are licensees. Therefore, the ease of application of the Vernor Test will allow all parties to a EULA to quickly and accurately know their rights under copyright law.

2. **Implications of the Ninth Circuit’s Use of the Sun Test**

Unlike the decision to use the Vernor Test, the Ninth Circuit’s decision to use the Sun Test does far more harm than good for copyright law. While the Vernor Test creates clarity for all parties involved, the Sun Test creates chaos. The Ninth Circuit attempted to explain the difference between a covenant and a condition,\(^{127}\) but all that remains clear is that the breach of a condition results in infringement, and the breach of a covenant can only be remedied through contract litigation.\(^{128}\) No guidance is given that would allow parties to determine whether any particular provision of a license agreement is a covenant or condition.\(^{129}\) This confusing standard will lead many lower courts astray when trying to determine if a violated license agreement amounts to infringement, or is only actionable through contract law.

**B. Implications of the DMCA Analysis**

By holding that MDY violated the DMCA § 1201(a)(2) without


\(^{124}\) Id.

\(^{125}\) See David A. Costa, Vernor v. Autodesk: An Erosion of First Sale Rights, 38 RUTGERS L. REC. 213, 222-26 (2010-2011) (arguing that the Vernor Test “shifts copyright balance toward monopoly,” “favors restraints on alienation,” “overturns a century of precedents,” and makes the first sale doctrine less relevant).

\(^{126}\) See id. at 213.

\(^{127}\) MDY Indus., LLC, 629 F.3d at 939.

\(^{128}\) Id.

\(^{129}\) Id.
finding that the Glider program facilitated infringement, the Ninth Circuit effectively gave a new right to copyright holders. Previously, in Chamberlain Group, Inc. v. Skylink Technologies, Inc., the Federal Circuit had held that the DMCA anti-circumvention provisions “do not establish a new property right.”130 With an eye towards the purposes of the DMCA and copyright law, the Federal Circuit concluded that the DMCA was intended to give copyright holders new means to protect their rights, but those rights remain limited to those traditionally protected under copyright law.131

The MDY holding grants technological copyright holders a new weapon, which they can wield against parties who are not infringing on their copyright protections. Traditionally copyright holders had exclusive rights to control reproduction, modification, distribution (i.e. control access to), public displays, and public performance of the copyrighted subject matter.132 If one of these rights was infringed upon, a copyright holder could sue for infringement, but without infringement, no action was allowable under U.S. copyright law.133 After the MDY holding, copyright holders can sue creators of programs which do not deprive the copyright holder of any traditional copyright rights, if use of those programs is not allowed by a copyright holder, and there is a technological protection to prevent access while using that program.

A hypothetical will better illuminate this problem. Assume Blizzard decided it did not want users to use any internet browsers while playing WoW, and Blizzard adopted a technological measure to stop its users from logging in while a browser window was open. Under the Ninth Circuit holding, if Google Chrome was programmed to avoid detection by Blizzard’s technological protection, Google has violated § 1201(a)(2), even though the use of Chrome in no way infringes upon Blizzard’s copyright rights associated with WoW. This holding leaves the door wide open for determining who may be violating the DMCA § 1201(a)(2), and provides no logical bounds as

130 Chamberlain Grp., Inc. v. Skylink Techs., Inc., 381 F.3d 1178, 1192 (Fed. Cir. 2004).
131 Id. at 1202 (citation omitted) (“The statutory structure and the legislative history both make it clear that the DMCA granted copyright holders additional legal protections, but neither rescinded the basic bargain granting the public noninfringing and fair uses of copyrighted materials, § 1201(c), nor prohibited various beneficial uses of circumvention technology, such as those exempted under §§ 1201(d),(f),(g),(j).”).
133 17 U.S.C. § 501 (2006); see also MDY Indus., LLC, 629 F.3d at 939 (noting that a violation of license provision that did not result in infringement was only actionable through “breach of contract”).
to who may be found liable. Given the major penalties that come with violating the DMCA and copyright law, the broad and vague standard imposed by MDY could result in nervous developers, and stymie beneficial developments in the future. As such, the Ninth Circuit’s holding should make all programmers very nervous about their future activities, especially actions that help their programs run incognito.

C. Why the Ninth Circuit Got it Right (Mostly)

Although there are several flaws with the Ninth Circuit’s analysis in MDY, the court ended up getting most of the decision correct, and reached the proper holding for this set of facts.

1. The Court Found MDY Liable for Its Harmful Actions

MDY sought to feed off of Blizzard’s success by creating a product to be used in conjunction with WoW. While attempting to have success alongside Blizzard was a legitimate goal, the Glider program’s success was directly dependent on corruption of WoW gameplay. Any success that Glider achieved was done so by perverting the system Blizzard had created and maintained for the good of all WoW players, and as such, the conduct of MDY was worthy of a penalty under U.S. copyright law.

Furthermore, as added evidence that MDY was at fault in this circumstance, MDY was likely to be found liable of tortious interference of contract by inducing WoW players to violate the EULA and ToU agreements. Although the Ninth Circuit found there were triable issues of fact and remanded the tortious interference claim,134 the district court had previously granted summary judgment in favor of Blizzard on the issue.135 While far from conclusive, this initial holding is at least an indication that Blizzard had a good case against MDY, and could very possibly have succeeded on the issue before a jury.

2. The Court Used the Vernor Test

Scholars have argued that having a EULA determine whether or not a user is a licensee or an owner of a copy of software limits freedom of contract.136 Proponents of this argument note that users

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134 MDY Indus., LLC, 629 F.3d at 955.
135 Id. at 937.
136 See Crowther, supra note 13, at 472 (citing Dennis S. Karjala, Protecting Innovation in Computer Software, Biotechnology, and Nanotechnology, 16 VA. J.L. continued . . .
often accept the EULA without reading the document, and that the user has no right to negotiate.\textsuperscript{137} The document only reflects the will and desires of the software creator. However, disregarding a EULA simply because a customer does not read the agreement is a more egregious limitation on the freedom of contract than enforcing the EULA determination. Removing a creator’s power to craft how his or her software is distributed goes against the core ideas behind the copyright—that the holder has a monopoly to control distribution, use, and access.

Furthermore, users have the power to choose not to enter into a EULA and to entirely avoid the restrictions EULAs bring.\textsuperscript{138} In this way, the market will determine if expansive EULAs are worth the cost of losing software users. If software copyright holders lose enough users and profits due to backlash from their EULAs, in pursuit of profits they will redraft their EULAs to be less expansive, and thus entice more users with greater usage rights. However, while they hold the copyright, holders should have all rights to determine who can use their software and the expanse of rights they wish to assign to users.

Finally, although the Vernor Test may lessen the applicability of the First Sale Doctrine to software, the use of this test creates several benefits for consumers. The use of this test will allow holders of software copyrights more control over what users are able to use their program. This limitation on unknown distribution will allow developers to know exactly who their users are, how they are using the program, and what the user’s needs and wants are in terms of future upgrades to the program. If copyright holders can better keep tabs on who is using their program, they can create more specific upgrades for the program that may be more beneficial to their known user base.

This benefit is epitomized by Apple, Inc., a company whose brand was recently valued at $623.5 billion.\textsuperscript{139} As part of their business strategy, Apple routinely collects data on their users. Apple then uses this data to “develop, deliver, and improve [their] products, services, content, and advertising.”\textsuperscript{140} Although this approach is sometimes criticized, Apple’s use of consumer info has allowed them to develop

\textsuperscript{137} Id.

\textsuperscript{138} See MDY Indus., LLC, 629 F.3d at 935 (noting that if WoW players don’t want to accept the EULA and ToU, they can return the game for a refund).


one of the world’s most intuitive platforms for smartphones, and has granted Apple a stranglehold on a significant share of the smart-phone market.¹⁴¹

3. Problems with the MDY Holding and Solutions

While the Ninth Circuit correctly adjudicated the holding and parts of the analysis, there are several areas of the MDY holding where the Ninth Circuit fell short.

a. Use of the Sun Test

Plainly put, the Ninth Circuit’s use of the Sun Test is a mistake, and its use should be ended at the next possible opportunity. While at surface level, it seems like a good idea that not every breach of a license agreement should result in infringement, the court’s explanation of the Sun Test makes it unclear whether any given provision of a license agreement is a condition or a covenant, and thus it is impossible to say with certainty whether violation of any particular provision results in infringement. This vague standard compromises the certainty of the Vernor Test. By using the Vernor Test, the Ninth Circuit has embraced the idea that a carefully worded EULA almost always creates a license that binds the parties involved.¹⁴² It seems unnecessary to also go through a covenants versus conditions analysis. Since the terms of the EULA are given such weight, if those terms specify that any breach of the EULA exceeds the scope of the license granted, any breach should result in infringement. Given that the use of the Sun Test diminishes the utility gained from the use of the Vernor Test, the Ninth Circuit would be better suited to toss out the Sun Test entirely, and simply rely on whether the EULA was breached to determine if the scope of a license was exceeded, resulting in infringement.

Had the Ninth Circuit not used the Sun Test, and simply relied on the EULA to determine if the scope of the license was breached, the court would have found that WoW players who used the Glider program had committed infringement, which would have led to a finding that MDY was liable for vicarious infringement.¹⁴³

¹⁴¹ See Mat Smith, Strategy Analytics: Apple Tops US Phone Market for Q4 2012, but Samsung Takes the Year, ENGADGET (Feb. 1, 2013, 4:50 AM), http://www.engadget.com/2013/02/01/strategy-analytics-apple-tops-us-phone-market-for-q4-2012/ (stating that Apple’s iPhone total market share for Q4 of 2012 was 34%).
¹⁴² See MDY Indus., LLC, 629 F.3d at 938-39.
¹⁴³ See id. at 941.
b. DMCA Violation Absent Infringement

The Ninth Circuit’s holding, that the DMCA § 1201(a)(2) could be violated without a finding that infringement is facilitated by a circumventing measure, goes against the legislative intent of the DMCA, and against logic. First, the Ninth Circuit disregarded the plain language of § 1201(c)(1) of the DMCA, which states “[n]othing in this section shall affect rights, remedies, limitations, or defenses to copyright infringement . . . under this title.”144 This provision makes it evident that the DMCA was not intended to create any new rights for copyright holders.

Not only does the plain language of the statute go against the MDY holding, the legislative intent of copyright law does as well. In enacting copyright protections, Congress sought to strike a balance of power between copyright holders and users of copyrighted information. While copyright holders are granted a limited monopoly, Congress’ main purpose was to “provide just enough incentive to prompt the creation of new works.”145 More specifically, the DMCA was enacted to combat piracy of copyrighted works,146 so that the type of circumvention that Congress sought to prohibit was circumvention that facilitated infringement, not that which allowed lawful copyright use.147

Furthermore, this new right granted to copyright holders could be used to sue countless programmers if copyright holders desire. In declining to extend this new right, the Federal Circuit noted that allowing a violation of § 1201(a) without infringement would grant a copyright holder “unlimited rights to hold circumventors liable under § 1201(a) merely for accessing the work” even if the access only allowed lawful use.148 The Federal Circuit then noted that this removed many of the protections and lawful uses afforded the public

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146 Universal City Studios, Inc. v. Corley, 273 F.3d 429, 435 (2d Cir. 2001) (stating “Congress sought to combat copyright piracy in its earlier stages, before the work was even copied. The DMCA therefore backed with legal sanctions the efforts of copyright owners to protect their works from piracy behind digital walls such as encryption codes or password protections. In so doing, Congress targeted not only those pirates who would circumvent these digital walls (the “anti-circumvention provisions,” contained in 17 U.S.C. § 1201(a)(1)), but also anyone who would traffic in a technology primarily designed to circumvent a digital wall (the “anti-trafficking provisions,” contained in 17 U.S.C. § 1201(a)(2), (b)(1)).”).
147 See id. at 459.
148 Chamberlain Grp., Inc. v. Skylink Techs., Inc. 381 F.3d 1178, 1200 (Fed. Cir. 2004).
under copyright law, and would go against the Congressional intent to limit a copyright holder’s monopoly in ways that “give the public appropriate access” to the copyrighted work.\footnote{Id. (citing Eldred v. Ashcroft, 537 U.S. 186, 204-05 (2003)).}

Therefore, because U.S. copyright law and the DMCA legislative intent support finding a § 1201(a)(2) violation only if infringement is facilitated by a circumventing measure, the Ninth Circuit should overrule the holding in MDY, and follow the Federal Circuit’s holding that “circumvention is not a new form of infringement, but rather a new violation prohibiting actions or products that facilitate infringement.”\footnote{Chamberlain Grp., Inc., 381 F.3d at 1197.}

\section*{c. New Legislation That Would Bring MDY’s Conduct Under the DMCA}

When Congress implemented the Visual Artists Rights Act of 1990 ("VARA") and § 106A, it did so to protect the “moral rights” of artists, including the rights to integrity and disclosure.\footnote{See 74 AM. JUR. 3D Proof of Facts § 4 (2003).} Under § 106A(a)(3)(A), an artist has the right “to prevent any intentional distortion, mutilation, or other modification of that work which would be prejudicial to his or her honor or reputation, and any intentional distortion, mutilation, or modification of that work is a violation of that right.”\footnote{17 U.S.C. § 106A(a)(3)(A) (2006).} The works currently protected under VARA are limited to “works of visual art,”\footnote{See id. (the wording of the statute mentions “existing in a single copy” or “in a limited edition of 200 copies or fewer”, indicating that larger, mass produced works were not intended to be protected).} which does not include video games. However, under VARA, Congress was attempting to protect works which existed in one entity or small quantities from mutilation and distortion.\footnote{See 74 AM. JUR. 3D, supra note 151, at § 5.}

While video games and MMORPGs in particular are not currently covered under VARA, given their nature, they fit within the intent of the legislation and should be protected against distortion and mutilation. First, although many copies of the game are sold, in some cases, only one game world exists. In WoW, all users play together in a single online world.\footnote{See What is World of Warcraft, WORLD OF WARCRAFT, http://us.battle.net/wow/en/game/guide/ (last visited Aug. 22, 2013),} Like someone defacing the Mona Lisa, a distortion of the WoW universe affects the only copy of the universe that users have access to. There are no other worlds that remain

\begin{thebibliography}{99}
\bibitem{149} Id. (citing Eldred v. Ashcroft, 537 U.S. 186, 204-05 (2003)).
\bibitem{150} Chamberlain Grp., Inc., 381 F.3d at 1197.
\bibitem{151} See 74 AM. JUR. 3D Proof of Facts § 4 (2003).
\bibitem{153} See 74 AM. JUR. 3D, supra note 151, at § 5.
\bibitem{154} See id. (the wording of the statute mentions “existing in a single copy” or “in a limited edition of 200 copies or fewer”, indicating that larger, mass produced works were not intended to be protected).
\bibitem{155} See What is World of Warcraft, WORLD OF WARCRAFT, http://us.battle.net/wow/en/game/guide/ (last visited Aug. 22, 2013),
\end{thebibliography}
undistorted that users could take their gaming.

Second, the Glider program and other bot programs hinder MMORPG’s integrity. Nobody likes to play with cheaters, and if a significant number of users are induced to cheat, it ruins the game for legitimate players. According to the Ninth Circuit’s findings, MDY sold roughly 120,000 copies of Glider to users. Blizzard’s users submitted 465,000 complaints about bot users, indicating that Glider was negatively affecting the gameplay of WoW. Furthermore, Blizzard had previously lost many customers due to bot programs “ruining” the online gameplay of another Blizzard game, Diablo II.

While not an exact fit, the characteristics of an MMORPG make their inclusion under § 106A less farfetched than the inclusion of other audiovisual works, where individual copies exist in separate form. Since these single-world games are susceptible to distortion and mutilation from outside sources, it would be beneficial to expand coverage of the VARA to cover MMORPGs. Doing so would have led the Ninth Circuit to find that MDY had mutilated and distorted Blizzard’s “art” through Glider’s widespread negative impact on gameplay for so many users, and would protect future MMORPG game developers and players from outside developers that seek to allow some users to get ahead at the expense of many others.

IV. CONCLUSION

Although the Ninth Circuit mistakenly used the Sun Test and held that § 1201(a)(2) could be violated without an infringement nexus, finding MDY liable for its actions is the proper result. MDY would have been found liable for vicarious infringement had the court wisely avoided the covenants/conditions distinction employed by the Sun Test. Furthermore, the Ninth Circuit’s choice to use the Vernor Test creates clarity for future cases where the distinction between an owner of a program copy and a licensee is at issue. As such, although the Ninth Circuit made several mistakes, the outcome of MDY was proper. Finally, if copyright law was expanded in the ways outlined here, similar actions of distortion and mutilation to the only copy of existing audiovisual works would constitute infringement under § 106A.

156 MDY Indus., LLC v. Blizzard Entm’t, Inc., 629 F.3d 928, 936 (9th Cir. 2010).
157 Id.
158 See Seth Schiesel, Grounding Autopilot Players of World of Warcraft, N.Y. TIMES (Feb. 6, 2009), http://www.nytimes.com/2009/02/07/arts/television/07bliz.html?_r=0 (stating “I have seen bots and hacks destroy other online games, in particular a previous Blizzard product called Diablo II.”).