Appeals No. 09-15932 and 09-16044

In the
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

MDY INDUSTRIES LLC AND MICHAEL DONNELLY,

Plaintiffs-Appellants,

v.

BLIZZARD ENTERTAINMENT, INC. AND VIVENDI GAMES, INC.,

Defendants-Appellees.

APPEAL FROM THE UNITED STATES DISTRICT COURT,
DISTRICT OF ARIZONA
CASE NO. 06 CIV. 2555
JUDGE DAVID G. CAMPBELL

PETITION FOR PANEL REHEARING

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I. Introduction

MDY Industries LLC and Michael Donnelly (collectively "MDY") respectfully but urgently request that this Court grant panel rehearing under F.R.A.P. 40 on the issue of whether the trial court erred in ruling that MDY's circumvention function in its Glider software violated 17 U.S.C. § 1201(a)(2) of the Digital Millennium Copyright Act. MDY asserts that the Court overlooked or misapprehended a critical subpart in 17 U.S.C. § 1201 that the Federal Circuit referenced in MDY's cited portions of *Chamberlain Group v. Skylink Industries*,[1] that if considered, would directly conflict with the Court's holding that a copyright infringement nexus is unnecessary under § 1201(a).

In its thorough ruling, the Court erred in one respect – it affirmed the trial court's holding and rejecting previous rulings in the Federal and Sixth Circuits that no liability exists under § 1201(a)(2) without a nexus between circumventing a protection measure and copyright infringement.[2] Under this Court's ruling, §§ 1201(a) (2) and 1201(f) cannot coexist. They have been interpreted, at least with respect to interoperable third-party software, in an impermissibly irreconcilable way that effectively writes § 1201(f) out of the statute. Hence, this Court should reissue its opinion after replacing its holding

[1] *See Chamberlain Group v. Skylink Technologies*, 381 F.3d 1178, 1200-01 (Fed. Cir. 2004). *See also Lexmark Int'l v. Static Control Components*, 387 F.3d 522 (6th Cir. 2004).
[2] *See generally id*.

at the end of section E.2., "WoW's dynamic non literal elements,"[3] with a new passage that essentially says this:

> But § 1201(f)(2) creates an express exception to liability under § 1201(a)(2) when a person "develop[s] and employ[s] technological means to circumvent a technological measure, or to circumvent protection afforded by a technological measure, . . . for the purpose of enabling interoperability with other programs, if such means are necessary to achieve such interoperability, to the extent that doing so does not constitute infringement under this title." See 17 U.S.C. § 1201(f)(2).
>
> Further, "the means permitted under [§ 1201(f)(2)] may be made available to others if the person [who developed the software] . . . provides such . . . means solely for the purpose of enabling interoperability of an independently created computer program with other programs, and to the extent that doing so does not constitute infringement under this title or violate applicable law other than this section." See 17 U.S.C. § 1201(f)(2).
>
> We have already determined that MDY is not liable for secondary or vicarious copyright infringement under the Copyright Act or the DMCA.[4] And we have also concluded that Warden does not effectively protect any of Blizzard's rights under the Copyright Act or the DMCA.[5] Under the plain language of §§ 1201(a)(2) and 1201(f)(2) and (3), MDY would be liable only if Glider's creation, operation, and sale infringed a copyright under the DMCA. See 17 U.S.C. §§ 1201(a)(2) and (f)(2), (3). We hold that MDY does not violate § 1201(a)(2) with respect to the nonliteral elements of WoW. Accordingly, we vacate the district court's entry of a permanent injunction against MDY.

[3] *MDY Indus*., 2010 WL 5141269, at *18 (last two sentences of section E.2.)
[4] *See id*. at *5-8.
[5] *See id*. at *19.

We mean no disrespect in suggesting the replacement passage. Our goal is simply, as responsible advocates, to help the Court make its opinion fully correct. This is a critically important issue to the consumer electronics and software industry. And because it may be several years before this Court has another opportunity to consider the issue, it is crucial that the Ninth Circuit correct this matter now.

II. This Court's interpretation of § 1201(a)(2) conflicts with § 1201(f).

When this Court examined § 1201, it sought to harmonize the nature and interrelationship of various provisions of § 1201 in the overall context of the Copyright Act.[6] The Court concluded that § 1201 creates two distinct claims – one claim under § 1201(a) that prohibits the circumvention of any technological measure that effectively controls access to a protected work and grants copyright owners the right to enforce that prohibition, and another claim under § 1201(b) that prohibits circumventing measures that protect the copyrighted work itself.[7] After analyzing both sections, the Court held that although an accused violator of § 1201 could not be liable under § 1201(b) without infringing the underlying copyrighted work, § 1201(a) requires no copyright-infringement nexus.

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[6] *See, id.* at *9-10.
[7] *See, id.* at *10.

In reaching its holding, the Court expressly rejected MDY's urging to adopt the Federal Circuit's and Sixth Circuit's holdings in *Chamberlain* and *Lexmark.* In its briefs to the Court, MDY cited to the critical portions of both *Chamberlain* and *Lexmark* where those cases set forth a number of reasons that 1201(a) liability requires a copyright infringement nexus.[8] In *Chamberlain*, the Court stated:

> Chamberlain's proposed severance of "access" from "protection" in § 1201(a) creates numerous other problems. Beyond suggesting that Congress enacted by implication a new, highly protective alternative regime for copyrighted works; contradicting other provisions in the same statute including § 1201(c)(1); *and ignoring the explicit immunization of interoperability from anti-circumvention liability under § 1201(f)*; the broad policy implications of considering "access" in a vacuum devoid of "protection" are both absurd and disastrous.[9]

And in *Lexmark*:

> The statute also contains three "reverse engineering" defenses. A person may circumvent an access control measure "for the sole purpose of identifying and analyzing those elements of the program that are necessary to achieve interoperability of an independently created computer program with other programs, and that have not previously been readily available to [that person]." 17 U.S.C. § 1201(f)(1). A person "may develop and employ technological means" that are "necessary" to enable interoperability. *Id*. § 1201(f)(2). And these technological means may be made available to others "solely for the purpose of

[8] *See*, MDY's Opening Brief at 36-38; MDY's Reply Brief at 25-26, 31; *see also,* MDY's Supplemental Excerpts of Record at 32, lines 12-20; *id.* at 41, lines 19-21.

[9] *See, Chamberlain* at 1200-01 (italics emphasis added); s*ee also, Lexmark* at 545-546.

> enabling interoperability of an independently created computer program with other programs." *Id*. § 1201(f)(3). All three defenses apply only when traditional copyright infringement does not occur and only when the challenged actions (in the case of the third provision) would not violate other "applicable law[s]." *Id*[10]

The Court explained in detail why it rejected *Chamberlain's* five policy reasons that require a copyright-infringement nexus.[11] And the Court also explained why it rejected *Chamberlain's* primary point that an infringement nexus requirement was necessary for the Copyright Act to be internally consistent.[12] But despite MDY's express citations to the pertinent sections of *Chamberlain* and *Lexmark*,[13] the Court never explained how its rejection of a copyright nexus could be reconciled with 1201(f).

MDY maintains that the *Chamberlain* and *Lexmark* Courts were correct in holding that a copyright infringement nexus is required in all cases under 1201(a) (2). But even if this Court won't adopt any part of *Chamberlain* or *Lexmark* on this nexus requirement, it should at least explain how the operative provisions of § 1201 coexist with §1201(f).[14]

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[10] *Lexmark*, 387 F.3d at 545–46.
[11] *See, MDY Industries* at *14.
[12] *See, id* at *15.
[13] MDY's Opening Brief at 36-38; MDY's Reply Brief at 25-26, 31; *see also* MDY's Supplemental Excerpts of Record at 32, lines 12-20; *id.* at 41, lines 19-21.
[14] *See, e.g., Merkel v. CIR*, 192 F.3d 844 (9th Cir. 1999) (quoting *Moyle v. Director, Office of Workers' Compensation Programs*, 147 F.3d 1116, 1120 (9th

So we ask the Court to reconsider its holding that copyright infringement is not necessary for liability to exist under 1201(a)(2) – and in particular for cases where the circumvention's purpose is to achieve interoperability under §1201(f).

III. When a circumvention device is used to enable interoperability without copyright infringement, the plain language of § 1201(f) excludes liability under § 1201(a)(2).

Section 1201(f)(2) states in relevant part:

> Notwithstanding the provisions of subsections (a)(2) and (b), a person may develop and employ technological means to circumvent a technological measure, or to circumvent protection afforded by a technological measure, … for the purpose of enabling interoperability of an independently created computer program with other programs, if such means are necessary to achieve such interoperability, *to the extent that doing so does not constitute infringement under this title*.[15]

Additionally, § 1201(f)(3) states:

> The information acquired through the acts permitted under paragraph (1), and the means permitted under paragraph (2), may be made available to others if the person referred to in paragraph (1) or (2), as the case may be, provides such information or means solely for the purpose of enabling interoperability of an independently created computer program with other programs, *and to the extent that doing so does not constitute infringement under this title* or violate applicable law other than this section.[16]

Cir. 1998) ("When interpreting a statute, we ordinarily first look to the plain meaning of the language used by Congress.")).

[15] 17 U.S.C. § 1201(f)(2) (emphasis added).

[16] 17 U.S.C. § 1201(f)(3) (emphasis added).

Together these sections state that a person may circumvent a protection measure and distribute the circumvention means if the circumvention's purpose is to enable an independent software program to interoperate with another program, and doing so does not infringe a copyright.[17]

Moreover, § 1201(f)(4) not only defines the term *interoperability* as the ability of a computer program to exchange and use information, but Congress spoke directly as to the critical importance of third parties overcoming technological measures that prevent software they create from interoperating with other programs without fear of being liable under § 1201(a). As Congress stated:

> Achieving interoperability in the consumer electronics environment will be a critical factor in the growth of electronic commerce. Companies are already designing operating systems and networks that connect devices in the home and workplace. In the Committee's view, manufacturers, consumers, retailers, and professional servicers should not be prevented from correcting an interoperability problem or other adverse effect resulting from a technological measure causing one or more devices in the home or in a business to fail to interoperate with other technologies.[18]

Representative Bliley further stated that:

> … with our Committee's encouragement, the conferees explicitly stated that makers or servicers of consumer electronics, telecommunications, or computing products who took steps solely

[17] *See, id*.
[18] 144 Cong. Rec. E2138 (daily ed. Oct. 13, 1998) (statement of Rep. Bliley).

> to mitigate a playability problem (whether or not taken in combination with other lawful product modifications) shall not be deemed to have violated either section 1201(a) or section 1201(b). Without giving them that absolute assurance, we felt that the introduction of new products into the market might be stifled, or that consumers might find it more difficult to get popular legitimate products repaired.[19]

Additionally, the Senate Judiciary Committee report on the DMCA explains the policy underlying Section 1201(f). It states that this exception was "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" and that "[t]he purpose of this section is to foster competition and innovation in the computer and software industry."[20]

Thus, the plain language of the § 1201(f) as well as the congressional intent pertaining to the statute support the conclusion that a person is not liable under § 1201(a) by circumventing a protection measure to enable two software programs to work together absent an infringement under the Copyright Act.

IV. MDY's Glider software falls under the § 1201(f) exception.

While this Court's ruling held that Glider circumvented an effective protection measure, the Court also recognized that MDY developed Glider for

[19] *Id*.
[20] S. Rep. 105-190, at 32 (1998).

no other purpose than to interoperate with World of Warcraft ("WoW") and that Glider has no commercial use independent of WoW.[21] Indeed, as the Court acknowledged, when Blizzard launched Warden "MDY responded by modifying Glider to avoid detection" so that Gilder could continue to operate with Wow.[22] Furthermore, Blizzard has never offered any evidence to refute MDY's sworn statement that it "continuously updates Glider's ability to avoid detection from Warden only because MDY must maintain Glider's interoperability with WoW."[23] And as this Court has ruled, MDY's Glider software does not infringe or facilitate an infringement of Blizzard's copyrighted works.[24] Hence, MDY's Glider software falls under the interoperability exception of § 1201(f) (2) and (3).

If this Court had addressed all of *Chamberlain's* reasons why a copyright-infringement nexus is required to establish liability under § 1201(a), including the interoperability exceptions of § 1201(f) (2) and (3), the Court's conclusion would have been different. So MDY respectfully requests that the Court reconsider its ruling and find that MDY is not liable under § 1201(a)(2).

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[21] *See, MDY Industries, LLC* at *2 & *18 ("Glider has no function other than to facilitate the playing of WoW").
[22] *See, MDY Industries, LLC* at *7.
[23] Donnelly Aff. ¶ 38, as referenced by Blizzard in its Responses to MDY's Statement of Disputed Facts. *See*, MDY's Excerpts of Record (Volume 2) at J5, lines 25-27.
[24] *See, MDY Industries, LLC* at *2 & *9.

V. Conclusion

When this Court construed § 1201, it did so without examining every element of the statute. Although this Court may disagree with the *Chamberlain* and *Lexmark* courts that a copyright infringement nexus is required in all cases before liability attaches under § 1201(a)(2), respectfully, the Court cannot ignore the plain language of § 1201(f). Under § 1201(f)(2)-(3), no person can be liable under § 1201(a)(2) if a circumvention device is used to enable a software program to interoperate with another program when the device does not infringe, or facilitate a copyright infringement. Because MDY utilized its circumvention device solely to enable Glider to interoperate with World of Warcraft, and because the Court held that MDY's Glider software did not infringe Blizzard's copyright, at a minimum § 1201(f) precludes MDY from being liable under § 1201(a) (2).

We do not file motions for rehearing lightly—and we would not file this one but for the firm conviction that the Court's opinion has a serious blemish. It's an easy one to fix. And we believe that with this one repair, the Court's *MDY* opinion will long be considered the correct application of the Digital Millennium Copyright Act and copyright law as it pertains to the development and use of third-party add-on software.

Respectfully submitted this 27th day of January 2011,

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VI. Certificate of Compliance

Under Fed. R. App. P. 32(a) (7) (C) and Ninth Circuit Rule 32-1, the Appellant's petition is proportionally spaced, has a typeface of 14 points or more and contains 2,376 words.

January 27, 2011

Lance C. Venable, Esq.
Attorney for Appellants

Date

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