# Young Lawyer's Corner: Video Games, Apps, and the Copyright Act

By Jordan Greenberger – February 19, 2013

Developers and publishers of smartphone and tablet games have created a new revenue stream by selling in-game and in-app products during use. Developers and publishers of games often offer—for a fee or in exchange for a user's rating—the option to download one (or a packet of) cheats or hints to help a stumped gamer complete a level. However, in many cases, the gamer can easily obtain cheats or hints at no cost by searching the Internet (e.g., by game name and level) for free hints or cheats posted by other gamers. Some online hints or cheats merely describe in words how to complete a level (e.g., "Move Piece A left two spaces."). But often, the online hints or cheats include unauthorized live-action video or screenshots of gameplay. Developers and publishers concerned about lost revenue due to such unauthorized cheats or hints may consider legal action, under the federal Copyright Act, against those who post cheats and hints that include images of the game.

**Copyright Protection of Video Games**

Video games, so long as they are fixed in a tangible medium, are copyrightable as an audiovisual work and as a motion picture; the underlying computer code also can be copyrighted as a literary work. *Lewis Galoog Toys, Inc. v. Nintendo of Am., Inc.*, 964 F.2d 965, 967 (9th Cir. 1992); *Atari, Inc. v. Amusement World, Inc.*, 547 F. Supp. 222, 226 (D. Md. 1981); *Midway Mfg. Co. v. Strohon*, 564 F. Supp. 741 (N.D. Ill. 1983). With respect to the audiovisual elements of a video game, (1) the "public display" right protects the display —either directly or by means of a film, slide, television image, or any other device or process—of individual images nonsequentially; and (2) the "public performance" right protects the right to show its images in any sequence or to make the accompanying sounds audible. 17 U.S.C. §§ 101 (defining "display" and "perform"), 106(4) and 106(5); *Miller v. Facebook, Inc.*, 2010 WL 2198204, at *5 (N.D. Cal. May 28, 2010).

In copyright lawsuits involving video games, it has long been established that the unauthorized sale of virtually identical games (e.g., *Pac-Man* and *Packri Monster*; *Centipede* and *War of the Bugs*) may be enjoined. In such cases, the courts have undertaken extensive visual and aural examinations of the games. *Midway Mfg Co. v. Bandai-Am., Inc.*, 546 F. Supp. 125, 134 (D.N.J. 1982); *Atari, Inc. v. Armenia, Ltd.*, 1981 WL 1388 (N.D. Ill. 1981). Courts have also found copyright infringement of video games in connection with the sale of unauthorized variations of games, *Microstar v. Formgen Inc.*, 154 F.3d 1107 (9th Cir. 1998), the copying of the underlying computer program, *Williams Electronics, Inc. v. Artic Int'l, Inc.*, 685 F.2d 870 (3d Cir. 1982), and the sale of devices that duplicate or modify gameplay, *Midway Mfg. Co. v. Artic Int'l, Inc.,* 704 F.2d 1009 (7th Cir. 1983). Courts have also held that companies that create or sell devices that duplicate or modify video games or that operate a computer "bulletin board" network to distribute pirated copies of games could be liable for copyright infringement. *E.g.*, *Sega Enterprises Ltd. v. Sabella*, 1996 WL 780560 (N.D. Cal. 1996).

Copyright protects computer programs and video games to the extent that they incorporate authorship in the programmer's expression of original ideas, as distinguished from ideas themselves. Copyright protection may extend to both "literal" and "nonliteral" elements of a program. *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 702 (2d Cir. 1992). The literal elements of the computer program are the source and object code. In one case, the court found that the copyright holder sufficiently stated a claim that his reproduction rights in the game's source code were violated due to the alleged similarities between his game and the allegedly infringing game. *Miller v. Facebook, Inc.*, 2010 WL 2198204, at *6 (N.D. Cal. May 28, 2010). In another case, the court found that the copyright holder established copying of protectable elements because the defendant's game contained virtually identical code *and* the same "hidden legend that would appear only when the game's buttons were pressed in an abnormal sequence." *M. Kramer Mfg. Co., Inc. v. Andrews*, 783 F.2d 421, 446 (4th Cir. 1986). The nonliteral elements concern a program's architecture or structure, including components such as general flow charts as well as the more specific organization of intermodular relationships, parameter lists, and macros. *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 702 (2d Cir. 1992). Even if there is no copying or unauthorized exploitation of the computer code, there may be infringement

of the game's nonliteral elements. *Team Play, Inc. v. Boyer*, 391 F. Supp. 2d 695, 701 (N.D. Ill. 2005); *Midway Mfg. Co. v. Strohon*, 564 F. Supp. 741, 749 (N.D. Ill. 1983).

Because copyright law will not protect an idea, only an expression, one court has observed that "[a]pplying copyright law to computer programs is like assembling a jigsaw puzzle whose pieces do not quite fit." *Lotus Dev.Corp. v. Borland Int'l*, 49 F.3d 807, 820 (1st Cir. 1995). Courts examining a copyright claim in the context of a video game must delineate between the copyrightable expression in a game and the unprotected elements of the program and then evaluate whether substantial similarity exists between such expression and the alleged infringer's game. *Tetris Holding, LLC v. XIO Interactive, Inc.,* 2012 WL 2012 WL 1949851 (D.N.J. May 30, 2012).

In determining what elements are not protected, two related doctrines must be considered: merger and *scènes à faire*. Merger exists when an idea and its particular expression become inseparable. If the law were to protect expression in such instances, then the copyright holder would have an unacceptable monopoly over that idea. For example, the author of a book on building basic tree houses does not have a copyright in the utilitarian description of the order in which to erect a wall. *Stiles v. HarperCollins Publishers LLC*, No. 10 Civ. 2605, NYLJ 1202511612043, at *12 (S.D.N.Y. Aug. 5, 2011). But if the same idea can be expressed in many different manners, a multitude of copyrights may result, and merger will not prevent protection of one's expression.

In the context of video games, courts have found that certain expressions are, as a practical matter, indispensable in the treatment of a given idea and thus not protected by copyright unless there is identical copying. For example, similarity of expression between two karate games—figures in each game used identical moves, were supervised by a referee, and were allowed to accumulate bonus points—was inherent in the sport of karate and did not warrant a finding of substantial similarity between the two games for copyright infringement purposes. *Data East USA, Inc. v. Epyx, Inc.*, 862 F.2d 204 (9th Cir. 1988).

The second doctrine, scènes à faire (literally meaning "a scene that must be done"), applies to expression that is so associated with a particular genre, motif, or idea that one is compelled to use such expression. *Team Play, Inc. v. Boyer*, 391 F. Supp. 2d 695, 699 (N.D. Ill. 2005). For instance, the mazes, tunnels, and scoring tables in *Pac-Man* were scènes à faire. Similarly, in golf video games, courses, clubs, a selection menu, a golfer, a wind meter, sand traps and water hazards, and so on are scènes à faire—the expressive material is indistinguishable from the idea or concept expressed—and are afforded protection only from virtually identical copying. *Incredible Technologies, Inc. v. Virtual Technologies, Inc.*, 400 F.3d 1007, 1014-15 (7th Cir. 2005).

Game mechanics and rules typically are not entitled to protection, but courts have found expressive elements copyrightable, including labels, game board designs, playing cards, and graphical works. *Atari, Inc. v. North American Philips Consumer Electronics Corp.*, 672 F.2d 607, 617 (7th Cir. Ill. 1982). Copyright thus protects "the symbols that appear on the display screen, the ways in which those symbols move around the screen, and the sound emanating from the game cabinet." *Atari, Inc. v. Amusement World, Inc.*, 547 F. Supp. 222, 227 (D. Md. 1981). For example, protectable elements of a video poker game include the shape and characteristics of the cards and the shapes, sizes, colors, sequences, arrangements, and sounds that provide something new or additional beyond the idea of poker. *M. Kramer Mfg. Co., Inc. v. Andrews*, 783 F.2d 421, 435 (4th Cir. 1986). Thus, even when games have similar play and functionality, there may not be copyright infringement if the games have sufficiently different audiovisual elements (e.g., images and displays). *Incredible Technologies, Inc. v. Virtual Technologies, Inc.*, *supra*. But when the audiovisual elements are virtually identical (even if the source code has not been copied), there may be copyright infringement. In a recent New Jersey case, the court held that a knockoff of the popular puzzle game *Tetris* infringed the copyright in *Tetris* because the style of the falling pieces was nearly indistinguishable, both in their look and in the manner they moved, rotated, fell, and behaved. *Tetris Holding, LLC v. XIO Interactive, Inc.*, *supra.* In an older case, the court found infringement where the characters and background in a knockoff game bore a close resemblance to those in an earlier game. *Midway Mfg. Co. v. Bandai-Am., Inc.*, 546 F. Supp, 125, 146-47 (D.N.J. 1982).

**Defenses to an Infringement Claim**

Not *all* unauthorized exploitation of a video game results in copyright infringement.

The first-sale doctrine provides that *the owner* (but not the borrower or lessee) of a particular copy of a work may, without the authority of the copyright owner, sell or otherwise dispose of the possession of that copy. 17 U.S.C. §§ 109(a), 109(d). In other words, the owner of a lawfully purchased video game cartridge may resell that game cartridge (thus the legitimate market for used video games, books, and CDs). Once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution. *Quality King Distributors, Inc. v. L'Anza Research Int'l, Inc.*, 523 U.S.135, 152 (1998). Notably, in the context of computer software, some copyright owners have created licensing arrangements so that users acquire only a license to use the particular copy of software and do not acquire title that permits further transfer or sale of that copy without the permission of the copyright owner. *Adobe Systems Inc. v. Kornrumpf,* 780 F. Supp. 2d 988, 994 (N.D. Cal. 2011).

Nonetheless, the first-sale doctrine has limits. The Copyright Act states that notwithstanding the first-sale doctrine, the owner of a computer program may not rent, lease, or lend such phonorecord or computer program, 17 U.S.C. § 109(b)(1)(A), and any person who distributes a copy of a computer program in such manner is a copyright infringer. 17 U.S.C. § 109(b)(4). But the statute further provides that limitation does not apply to "a computer program which is embodied in a machine or product and which cannot be copied during the ordinary operation or use of the machine or product." 17 U.S.C. § 109(b)(1)(B). So, permission from the copyright owner is required to rent a video game to others (e.g., Blockbuster), but not if the video game is an arcade game (e.g., a *Pac-Man* arcade console).

The first-sale doctrine also provides an exception to the copyright owner's public display right. 17 U.S.C. § 106(5). The owner of a particular copy, such as a store owner, may display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located, without seeking permission from the copyright owner. 17 U.S.C. § 109(c). The Copyright Act expressly permits the owner of a particular copy of an electronic audiovisual game intended for use in coin-operated equipment to publicly perform or display that game in coin-operated equipment. 17 U.S.C. § 109(e). Thus, video game arcades are not dens of illicit copyright behavior. Such protection, however, does not extend to "any work of authorship embodied in the audiovisual game if the copyright owner of the electronic audiovisual game is not also the copyright owner of the work of authorship." 17 U.S.C. § 109(e).

**Fair Use and Game Cheats**

Pursuant to the amorphous "fair use" doctrine, copying a game "for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright." 17 U.S.C. § 107. For example, a competitor's use of a screenshot from a game for comparative advertising purposes has been held to be a fair use. *Sony Computer Entertainment Am., Inc. v. Bleem, LLC*, 214 F.3d 1022 (9th Cir. 2000).

The Copyright Act lists four factors to evaluate whether the unauthorized use of a work falls under fair use: "(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work." There is no bright line rule for weighing these four statutory factors against each other, and no single factor is dispositive. *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 578 (1994). The determination of fair use is an open-ended and context-sensitive inquiry. The ultimate test of fair use asks whether the copyright law's goal (found in the U.S. Constitution, Article I, Section 8, Clause 8) of promoting the progress of science and useful arts would be better served by allowing the use than by preventing it. *Castle Rock Entertainment, Inc. v. Carol Publ'g Group*, 150 F.3d 132, 141 (2d Cir. 1998).

Often, the primary issue in fair-use cases concerns whether the copy sufficiently transformed the original work so that the copyright owner is not losing money to a competing product. In other words, does the new work merely supersede the original creation (i.e., someone would buy the new work instead of the original work), or does it instead add something new, with a further purpose or different character, altering the first with new expression, meaning, or message? The more transformative the new work, the less significant the other factors. *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 579 (1994). If the secondary use plainly differs from the original purpose for the copyrighted work, there may be a fair use even where a secondary user has made an exact replication of a copyright image. *Bill Graham Archives v. Dorling Kindersley ltd.*, 448 F.3d 605, 609 (2d Cir. 2006).

The fair-use analysis also inquires whether the allegedly infringing use is of a commercial nature or is instead for nonprofit educational purposes. Courts have looked disapprovingly at commercial exploitation that occurs when an allegedly infringing user directly and exclusively acquires conspicuous financial rewards from its use of copyrighted material. *American Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 922 (2d Cir. 1994). The crux of the issue is whether the alleged infringer's motive is to profit from exploitation of the copyrighted material without paying the customary price (i.e., licensing fee). *Harper & Row, Publrs. v. Nation Enters.*, 471 U.S. 539, 562 (1985). Courts are more willing to find a secondary use fair when it produces a value that benefits the broader public interest. *Twin Peaks Productions, Inc. v. Publications Int'l. Ltd.*, 996 F.2d 1366, 1375 (2d Cir. 1993).

A key issue in fair-use cases is whether the defendant's work tends to diminish or prejudice the potential sale of the plaintiff's work. *Meeropol v. Nizer*, 560 F.2d 1061, 1070 (2d Cir. 1977). A possible argument supporting online posting of video game cheats as a fair use posits that the cheats do not fulfill the demand for the original work and do not diminish or prejudice the potential sale of the work. The argument goes that making cheats available actually increases demand for the game itself (even if not for the separately sold authorized cheats). However, courts have looked dimly on similar arguments that the infringing article will enhance interest in and sales of the game when the infringing article cuts into the original game's market and value. *Horn Abbot Ltd. v. Sarsparilla Ltd.*, 601 F. Supp. 360, 367–68 (N.D. Ill. 1984).

With the availability of in-app purchases of cheats, the game developer or publisher may argue that there is a market that is being supplanted. Cheaters need not actually purchase the underlying game in order to view an audiovisual cheat offered online; thus, this is unlike other situations where the cheating device could not be used without actually purchasing the underlying game or work. Accordingly, the game developer or publisher might argue that the cheat is a "derivative work" that violates their exclusive right to prepare derivative works. 17 U.S.C. §§ 101, 106(2). By analogy, courts have repeatedly held that solution manuals to educational textbooks are "derivative works" of the textbook that, if copied and sold (e.g., to students hoping to cheat), constitute copyright infringement. *Pearson Educ., Inc. v. Vergara*, 2010 WL 3744033, *3 (S.D.N.Y. Sep. 27, 2010).

Additionally, encouraging users to obtain copyrighted works "to avoid having to buy" the work weighs against the fair-use defense. *Sega Enterprises Ltd. v. MAPHIA*, 948 F. Supp. 923, 934, 935–36 (N.D. Cal. 1996). Cases where fair use existed because users necessarily had to purchase the copyrighted work in order to use the cheat may be distinguishable because it is not clear that the copyright owner separately offered cheats for sale (like an in-app purchase). *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, 964 F.2d 965, 970 (9th Cir. 1992) ("Game Genie" case).

Lastly, two other factors may weigh against a finding of fair use. First, a game developer or publisher may argue that video games are for entertainment uses and involve created fiction and fantasy so that the "nature of the copyrighted work" weighs against a finding of fair use. *Sega Enterprises Ltd. v. MAPHIA*, 948 F. Supp. 923, 934 (N.D. Cal. 1996). While cheats are "informational," when they incorporate copyrighted images of gameplay, they use the creative aspect of the work. Second, the copying of an entire work will ordinarily militate against a finding of fair use. *Id.* Cheats that copy an entire level while showing how to complete the level arguably go to "the heart" of the work.

**Anticircumvention Protection**
In addition to the literal copying of a copyrighted work, game publishers may have a claim under the provision of the Copyright Act that targets the use of a circumvention technology. 17 U.S.C. § 1201(a)(1). Violation of these provisions may result in criminal penalties and/or imprisonment. 17 U.S.C. § 1204. The statute prohibits a person from "circumvent[ing] a technological measure that effectively controls access to a work protected under [the Copyright Act]." The term "circumvent a technological measure" means "to descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate or impair a technological measure, without the authority of the copyright owner." 17 U.S.C. § 1201(a)(3)(A). A technological measure "effectively controls access to a work" if the measure, in the ordinary course of its operation, requires the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work. 17 U.S.C. § 1201(a)(3)(B).

For example, one may violate the anticircumvention provision by allowing game users to access a game through a bypassing measure that ordinarily requires a software "secret handshake" (e.g., a key number) to play the game. *Davison & Assocs. v. Jung*, 422 F.3d 630, 640–41 (8th Cir. 2005). A game publisher might argue that each game level is an encrypted work that requires the application of information or a process to gain access to the next level, such that unauthorized cheats descramble or decrypt the work, in violation of the Copyright Act.

Game developers and publishers who are concerned about a diminution of revenue from in-app purchases may consider bringing legal action under the Copyright Act against persons who post unauthorized cheats and hints online. Under the Copyright Act, an infringer may be subject to a temporary or permanent injunction, the impound and destruction of all infringing articles, payment of the copyright owner's actual damages and the infringer's profits (or at the copyright owner's election, statutory damages that range from $750 to $30,000 per work or to $150,000 if the infringement was willful), payment of the copyright owner's costs and attorney fees, and criminal sanctions. 17 U.S.C. §§ 502–506.

Of course, the game developer and publisher should take into account whether there is any benefit to permitting the cheats to be available for free at the expense of their copyright. Game developers and publishers may balk at the notion of bringing legal action against their customers and any related public relations issues. They might also consider the availability of online cheats as simply a cost of promoting the game. However, if lost revenue is an issue, game developers and publishers should consider whether legal action under the Copyright Act will recoup their losses and protect their investment.

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