

Nintendo Company Ltd and Nintendo GMBH v Playables Ltd and Wai Dat Chan [2010] EWHC 1932 (Ch)

The UK High Court held that the sale of devices which enabled unlawful copies of Nintendo DS games to be played on the console itself was illegal, even if these devices could have had otherwise legal purposes.

This summary judgment application, brought by Nintendo against the Defendants, Playables Ltd and Wai Dat Chan, was initiated despite the case already being part-settled. Nintendo claimed that the Settlement Agreement permitted them to continue their action, not simply on their own behalf, 'but also on the behalf of over 1,400 video game-development companies that depend upon the legitimate sales of games for their survival'.

Having scrutinised the evidence before him, Mr Justice Floyd was satisfied that the Settlement Agreement did not preclude Nintendo from continuing the litigation and allowed the summary judgment application to be heard.

The Defendants are manufacturers and distributors of a number of different types of devices which enabled 'Nintendo DS' games console users to play unlawful copies of the Nintendo DS games. Nintendo referred to these as 'game copiers'. Although the Defendants disagreed with that title, the parties were agreed that the Defendants' devices fitted into one of the slots on the Nintendo DS, and that they contained user built-in memory or a further slot for accommodating such further memory. These devices also contained circuitry, software and data with a design to enable them to pass the tests performed by the Nintendo DS to check that the card inserted was genuine.

Her Majesty's Revenue and Customs and Trading Standards had already seized more than 165,000 game copiers that had been intended for distribution by the Defendants. Nintendo argued that each one of these devices represented a substantial loss to Nintendo because, once obtained, each device could play a number of copied games which could all be

downloaded for free from the internet. Since a single Nintendo DS game might retail for between £20 and £30, this might equate to a sizeable loss for each device sold. The Defendants argued that, whilst the devices could be used to play copied games, they could also be used to allow games developers to play their own games on the Nintendo DS device. This was accurate, there was a small home-grown group of games developers in the UK that used these devices in that manner, and although they represented a small fraction of the users of the devices sold, the Defendants considered the fact that they existed at all was essential to their case.

Nintendo made its claim under the Circumvention of Copy-Protection Provisions within the Copyright, Designs and Patents Act 1988 (CDPA), namely Section 296ZD and 296, in addition to which they claimed standard copyright infringement with regards to copyright copied into the random access memory in the course of the use of the Defendants' devices, infringement was also alleged on the basis of authorisation and on Section 24 CDPA which relates to the distribution in the course of business of articles specifically designed for making copies of the source code.

Floyd J started by looking at the claim under Section 296ZD. Under this Section, a claimant relying on the rights it affords needs to show that there has been an application of effective technical measures ('ETMs'), i.e. that technical measures should have been applied to a copyright work or works, and that they should be effective. In addition to the claimant having standing to bring the claim, the defendant must have manufactured, imported, distributed a device which, was

either:

- promoted for the purpose of circumvention of ETMs; or
- have only a limited commercially significant purpose other than to circumvent ETMs; or
- primarily designed, produced, adapted or used for the purpose of enabling circumvention of ETMs.

Floyd J considered *R v Higgs*¹, regarding whether or not the form of ETM had to be more than a mere discouragement, the conclusion there was that it did, though Floyd J makes the point, perhaps a touch facetiously, that 'of course, the ETM do not have to be totally effective; otherwise there would be no scope for the operation of this section in relation to circumvention'(!).

Floyd J also makes reference to findings by Laddie J in *Sony v Ball*², in which Laddie J stated that the Section creates a tort of strict liability. Floyd J therefore agrees with Laddie J when he says 'once a technological measure exists, it is a breach of the provisions, for example, to advertise for sale any device, product, component or service which is primarily designed...for the purpose of enabling or facilitating the circumvention of a protected technological measure'.

The Defendants contended that:

- they did not know the devices would produce copies;
- there were lawful uses for the devices; and
- the actions of Trading Standards could not be relied upon.

However, due to the strict nature of the tortious liability, Floyd J concludes that none of the Defendants' positive defences in relation to this Section have a realistic prospect of success. He therefore concludes that Nintendo has established its case regarding this Section - the mere fact that the device can be used for a non-infringing purpose is not a defence,

provided that at least one of the conditions of Section 296ZD(1)(b) is satisfied.

With regards to Section 296, both the Claimant and Floyd J make the point that the UK implementation of the European Directive has added in the words 'knowing or having reason to believe that it will be used to make infringing copies'. This adds a requirement that there be knowledge of infringement, where there was no requirement for such knowledge in the Directive. However, Floyd J observes that the Directive only directs Member States to provide 'appropriate' remedies and since the UK authorities have clearly done so, he remains focused on the language of the UK statute.

The Defendants put forward the same three defences that they did in relation to Section 296ZD. Whilst the terminology is different ('technical device' is used instead of ETMs - but with broadly the same meaning) the impact of the Section is similar, it deals with the manufacture and distribution of devices intended to 'facilitate the unauthorised removal or circumvention of the technical device'. The difference here is the additional requirement that there be knowledge of infringement. To this point, Nintendo had provided two witnesses that convinced Floyd J that the Defendants would not have 'a realistic prospect of asserting that they did not know of the unlawful uses to which the devices could be put', Nintendo therefore established that it was entitled to summary judgment on Section 296 as well.

Floyd J wished to make a distinction between this decision and the decision made by Laddie J in *Sony v Ball*. Floyd J considered that he was satisfied with the departure from *Sony v Ball* because of the distinction between Section 296 and Section 296ZD, regarding

the requirement that the person dealing with the device knows or has reason to believe that it will be used to make infringing copies. There is no such requirement in Section 296ZD, and as Laddie J does not comment on the difference between these two Sections, Floyd J feels able to decide only Section 296 concerned itself with circumvention outside the jurisdiction. With regards to Section 296ZD, there is no knowledge of infringement required, and the concerns are regarding, for example, the purpose for which the device is sold - which is something that can be assessed when the device is distributed. Therefore, Floyd J states that he is 'quite satisfied that...(Sony v Ball) is wrong on this point'.

With regards to the allegation by Nintendo that its 'ordinary' copyright in the source code, the internal integrity-check code and the racetrack logo were all infringed, interestingly - and disappointingly, no doubt, for Nintendo - Floyd J stated that the copyright in the Nintendo racetrack logo is so rudimentary that he considered it arguable that copyright did not subsist in it at all. Floyd J was also not persuaded that there may not be a realistic defence to the allegations regarding the source code, and concluded that it would 'accordingly not be right to grant summary judgment on this aspect of the claim'. However, Floyd J, distinguishing *CBS v Amstrad*³, stated that he thought that the code used to check whether a card is genuine or not (NLDF), incorporated into each copying device, was incorporated without authorisation, and in breach of Section 24 - making the devices 'templates for infringement'.

In conclusion, Floyd J also agreed that the second Defendant, Mr

Chan, should be held liable as a joint tortfeasor with Playables Ltd, to the summary judgment standard.

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1. *RV Higgs* [2009] 1 WLR 73.
2. *Sony v Ball* [2004] EWHC 1738.
3. *CBS v Amstrad* [1988] AC 1013.