

## **Case Study Report:**

### **Purchase of a digital product on Steam grants a license, not ownership - End User Dilemma**

**Prepared by:**

Mashrur Ahsan

Student ID: 200042115

Department of CSE

Software Engineering Program

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## Abstract

This case discusses about digital product licensing models, legal frameworks regarding digital market-places and some end user misconceptions. Ever growing sector of digital stores provide a wide variety of goods, each platform having their own terms and conditions. As the digital space expands, the need for transparent and explicit licensing model is evident. That's why laws have been made in effect to avoid confusion and protect the rights of the consumers. Large scale platforms like Steam, Epic, PS, Xbox etc. all are part of the digital world where new regulatory practices have paved the way for better end user experience.

## 1 Introduction

Software is an intangible object that we use in our daily lives. From ordinary consumers to big companies, everyone are using softwares in their everyday activities either for business purposes, pleasure or for casual purposes. But usually we, the users, are not the actual owners of the software. Most of the cases we have limited access to it. The rights to access these software is usually granted through a license agreement with a well defined scope and terms of use. Then where could be the confusion, between owning the software for our daily usage and having limited rights to using it via a license agreement. In fact, there is a big difference, and to understand this difference is essential.

Software and hardware is quite easy to distinguish, the latter is easy understand in terms of who owns it. After buying a piece of hardware the ownership also changes. But that's not the case for softwares. When customers buy software, a question arises, are we purchasing or licensing it. Software is basically a pool of instructions that gets executed by a computer. As a result, the games that we play on our electrical devices are also considered software. Currently Steam has the largest library of games in the gaming world, easily making it also one of the largest stores to buy digital products, mostly being playable games. Such games or other software are regulated by copyright laws. Hence, software is a work of authorship protected under copyright laws and can be subject to licensing.

## 2 Case Background

Steam has been the undisputed king of PC gaming platforms for years now. They have been selling millions of copies of digital products for over long time, becoming a true digital gaming network powerhouse. With this upsurge of digital sales, comes an ugly realization, we don't actually own the games that we buy. This issue has been the topic of a lot of controversies for both ordinary people and experts alike. Another question arises, are the gamers being misled about their purchases.

Well that is not the case. It has always been stated inside the terms of condition that we are not actually buying the game rather we are buying a license to get the rights to play the game. This is basically Steam's licensing model. But Steam had not been explicitly putting this information during the purchasing process up until quite recently.

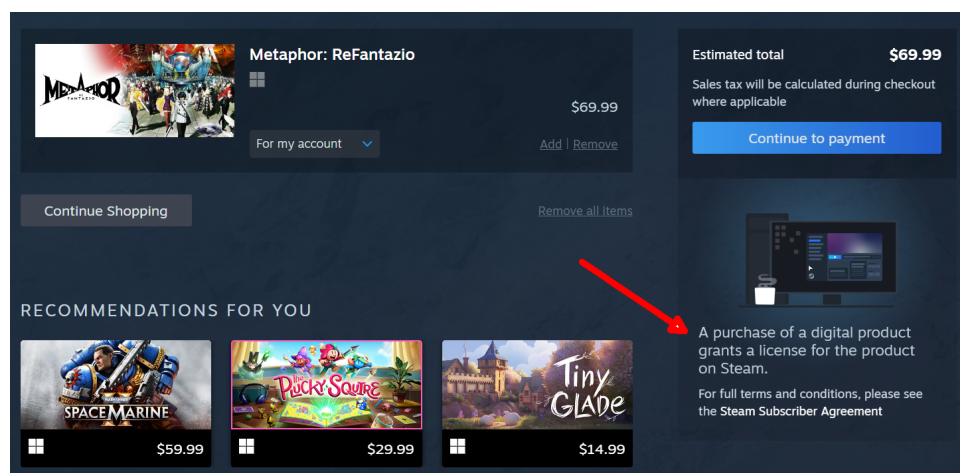


Figure 1: Steam Shopping Cart

In October 2024, Steam started to add a note when checking out games via the cart system that the purchases made by the users don't actually mean that they are owning it. Rather it means that they are acquiring a license of the product. The note says "a purchase of a digital product grants a license for the product on Steam".

## California Law AB 2426

Steam started doing this in response to the new California Law, billed as AB 2426, which was chaptered by the Secretary of State on 24th of September 2024. This law will now force companies to admit that we don't own digital content, we're just licensing it. This law aims to clarify that whenever we are purchasing a license to an item it should be made clearer to the customers to avoid confusion. This will not apply to cases in terms of offline downloads. Common examples of this situation are: buying ebooks, video games, songs, images, movies, TV shows etc. from online stores. So, the law applies to gaming platforms like Steam, Epic Games, PS, Xbox. On the other hand, the law doesn't apply to gaming platforms like GOG where one can play games via offline downloads. This is a platform where people can play games without worrying about Digital Rights Management (DRM).

Because of this law, the online stores can now be held accountable for not clarifying digital content purchase whether it is a license purchase or whether it is outright buying of the item. They can be facing actions taken against them if they don't explain the limitations of media access means - buying a license to access the digital content rather than actually buying it. Hence, if companies break this rule they could be fined for false advertising.

## History of License Removals

Now a question might arise, why is this serving as a rude awakening for gamers? It's because there's a history behind loss of digital content even after people buy the products. Customers losing their so-called "owned" games due to unfavorable circumstances. One of the recent and most talked about examples is the removal of the game "The Crew", an online racing game, from player's libraries. In April 2023, the developers of the game reached out to Ubisoft and told them to revoke the license to access the game because their servers were closing.

So soon the game was delisted from digital store fronts. People found this action to be similar to theft as they paid their own money to purchase the game and received no warning that Ubisoft will be deleting the game. Upon launching the game the players found it inaccessible. This gained much notoriety in the gaming world. Although Ubisoft offered refund to players who bought it recently, but they didn't offer refund to the players who had the game for a long time, since this game has been out for around a decade.

There has always been a history of users losing access to their games, digital copies being removed from their libraries. This is because of course license disagreements, expired music, developer fallouts - Steam losing rights to sell the products. Some of the game titles that suffered this kind fate are: Transformers: Fall of Cybertron and War on Cybertron, Prey (2006), Quantum Solace, Fable 3 etc. This type of scenarios asks a question for gamers, what's the point of buying games if they can disappear all of a sudden? One

Here the tableted list of delisted games begins:

S.No.	Steam Delisted Games
1.)	007™ Legends (2012)
2.)	007: Quantum of Solace (2008)
3.)	Afterfall InSanity - Dirty Arena Edition (2011)
4.)	Afterfall InSanity - Extended Edition (2012) [Available Cheaply to buy on Fanatical]
5.)	Afterfall: Reconquest Episode I (2015) [Available Cheaply to buy on Fanatical]
6.)	Alpha Protocol (2010)
7.)	Battlefield 2: Complete Collection (2005)
8.)	Battlefield: Bad Company 2 (2010)
9.)	Blur (2010)
10.)	BloodRayne (2002)
11.)	BloodRayne 2 (2005)
12.)	Bulletstorm (Original Version) (2011)
13.)	Burnout Paradise: The Ultimate Box (OG Version) (2010)
14.)	Call of Juarez: The Cartel (2011)
15.)	Clive Barker's Jericho (2007)
16.)	Cryostasis: Sleep of Reason (2008)
17.)	Crysis Original Edition (2007)
18.)	Crysis 3 (2013)
19.)	Dark Souls: Prepare To Die Edition
20.)	Deadpool (2013)
21.)	Death Stranding (2020)
22.)	Deus Ex: Human Revolution (2011) [Original Release Version]
23.)	DIRT (2009) Also named as Colin Mcrae: DIRT

Figure 2: Delisted Steam Games

thing is for sure now: digital libraries on different platforms are far from secure to the end user.

Another example could be when Sony removed the Discovery content from user's libraries because of content licensing arrangements. Users that paid for the Discovery content so that they could watch them whenever they wanted was about to be taken away from, removing the content from their libraries from December 31st 2023.

Scenarios like this highlight a major problem with the notion of purchasing and using digital products. End users pay for these products, they think they own them but in reality they don't own anything. Only thing they own is a license to access the digital content which could be revoked anytime they want. In the end it does make it clearer that ownership of digital content or software is a pretty rare and intangible thing in this day and age.

### 3 Primary Legal Issues

The main legal issues that are involved:

- **Digital Ownership vs. Licensing:** End users when purchasing software or any other digital items, they usually think that they own those. Which is normal to assume since they are the ones paying for it. But in reality, most of the cases they are just buying a license that grants them using the software or the digital content. Failing to comply with the terms and conditions provided by them could result in revoking access to those licenses.
- **User Protection in Digital Marketplace:** Digital stores may not explicitly say whether we are buying licenses or the actual products. In those cases, it can be misleading for the end users, instead of actually getting the product they are just getting a license that grants them access to the desired content. So this kind of confusion later can lead to disputes between the consumers and the digital stores.

### 4 Cyber Law Implications

Software is regulated under **copyright laws**. Copyright laws also cover **intellectual property**. The way software is used, sold, distributed, marketed - all lead to it being an intellectual property. Hence, software is a work of authorship protected under copyright laws and can be subject to licensing. It helps people protect their intellectual property from being copied or used without their permission.

In the context of the **digital marketplace**, video games, music, digital art, movies, TV series etc. are also under the protection of such copyright laws. If we dive into the gaming world, games are basically software, therefore intellectual property as well. Since there are cyber laws protecting these digital contents, any violation of these laws will result in legal actions taken against the offender.

### 5 Judicial or Regulatory Actions

- **California Law AB 2426:** Digital stores not explicitly mentioning whether we are buying licenses or the actual products leads to confusion, unnecessary disputes. This raises the legal issue of consumer protection in digital marketplaces. In those cases, it can be misleading for the end users, instead of actually getting the product they are just getting a license that grants them access to the desired content. So this kind of confusion later can lead to disputes between the consumers and the digital stores. To address this issue **California Law AB 2426** was passed at the end of September 2024, which currently is in full effect - started from **January 1st 2025**.

It requires digital marketplaces selling their digital goods to clearly disclose that end users are purchasing a license, which can be of limited access or duration, rather than full ownership. This law will now force companies to admit that we don't own digital content, we're just licensing it. This law clarifies that whenever we are purchasing a license to an item it should be made clearer to the customers to avoid confusion and for better transparency.

## 6 Broader Implications

**End user awareness and misconceptions:** The law forces digital platforms to clearly define when a product is for licensed use only and when a product is available to buy as to owning it. While doing this it's raising awareness among consumers, clarifying the confusion regarding digital ownership misconceptions and mitigating room for exploitations.

**Erasure of game history might influence digital preservation:** Loss of licenses of digital products can erase the gaming history. Just like the original Overwatch (2016) was later replaced with Overwatch 2. This erasure of gaming history affects the game industry. These should be preserved rather than erasing them, as a lot of players invested a lot of hours in such games.

**Impact digital transactions:** Since there is a law in effect that forces digital stores to explicitly mention whether the user is buying a license for owning a product - this will curb the way the digital stores handled their transactions. Safe to say there will be a positive impact in digital transactions.

**Gamers might push for alternatives:** Removal of licenses, resulting in not being able to play games that players once used to play may lead to frustration. Which at some point in the future may cost Steam. Players might go elsewhere, an example could be GOG, where their policy revolves around offline downloads of digital contents. Once you have the game in your local computer you can play whenever, however long you want without any licensing issue. Now that would be truly buying a game rather than buying a license of a digital product

## 7 Critical Analysis

Although steam provides a lot of features and has a great interface makes gaming a great experience it doesn't provide offline downloads. Making people purchase a digital license rather than actual games. There's a gap in this department. Although competing against Steam would be very tough, some other platforms like GOG that actually provide offline downloads can provide people with what they actually want, which is the actual game, not just a license that allows them to play that game.

Since the end users raised their concerns long ago as well, digital platforms should've explicitly mentioned the owning or licensing part way before

Since the digital marketplace is ever expanding and customers can easily confuse between actually buying a product and just buying a license to gain the right access to that product. This California law now would help the digital marketplace to be more transparent which was quite needed in my opinion in this ever growing digital marketplace industry.

## 8 Recommendations

- Steam should provide **offline downloads** in the future. Maybe it can not provide such offline downloads on a large scale because not all game devs or publishers would allow that. But a lot of them will allow that. This would help a **better gaming experience** since it will stay inside the local files of the user's computer. Needing no internet to play. Although it is only possible where games don't require an internet connection to play.
- **GOG** (formerly Good Old Games) can improve their platform so that they can attract more people to their platform instead of Steam - or even make an attempt so that Steam can see that there might be **competition in the market** in this sector. That might encourage Steam to curb their services according to the demands.
- Since the **digital marketplace** is ever growing such user misconceptions are quite common occurrences. Due to such confusions, users may find themselves doing something invalid with the digital products or users might unknowingly breach some terms of conditions rules and regulations set by the product that they are buying, people shouldn't be forced to think out of the box, unordinary when they are the ones paying the money that run the digital marketplace, instructions should be clear. Laws like this **California Law AB 2426** that protects user rights in digital platforms are quite appreciated and more such laws are welcomed to dismiss any confusions people might have.

## 9 Conclusion

The digital space is always expanding and so is the marketplace. From small scale online software stores to large scale gaming network platforms, digital transactions have become a constant occurrence. The number of digital stores are also on the rise, each of them having different terms of use. End users must respect the terms and conditions that they agreed upon before using their products or platforms. Similarly as service providers, they must make sure the terms and conditions abide by the existing laws and follow conventions that removes ambiguity and confusion among the general public. To even further help the current licensing framework California Law AB 2426 proved to be a step in the right direction. It establishes transparency in digital platforms by enforcing clear information indicating whether users are buying a license or buying to get ownership of a particular product. In the end it does make it clearer that ownership of digital content or software is a pretty rare and intangible thing in this day and age.

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