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Focus

Case Closed on Open Sources?

By Erica J. Pruetz

On Aug. 13, 2008, the U.S. Court of Appeals for the Federal Circuit held that violation of an open source licensing agreement constitutes copyright infringement. *Jacobsen v. Katzer*, 535 F.3d 1373 (Fed. Cir. 2008). This marks the first time that the Federal Circuit has addressed the rights of open source creators — those who dedicate their copyrighted works to the public by offering free copyright licenses to users. The question before the court was whether a copyright holder who licensed the copyrighted work to the public for free could still enforce a copyright license that set conditions on the future distribution and modification of the work. The court held that open source creators had the right to control the modification and distribution of their copyrighted material. The court vacated the lower court's decision, which denied the plaintiff a preliminary injunction on the ground that violation of an open source license agreement amounted to mere breach of contract, and instead held that violation of conditions in open source licenses can give rise to an action for copyright infringement.

Even though open source software has existed for decades, open source licenses remain largely untested by the courts. Open source is used by individuals such as software developers, scientists, musicians, filmmakers, bloggers, writers and teachers, who seek to create collaborative projects and to dedicate these copyrighted works to the public. In particular, open source software has increasingly become an important part of the software development

landscape. Most Americans use products containing open source code on a daily basis. For example, GNU/Linux is perhaps the best-known open source product and its free software code is used in products ranging from Web browser applications to cell phones. Other famous open source licenses include Perl, Apache, Firefox and the popular online user-created encyclopedia Wikipedia. Open source software is given to the public free of charge; however, its creators have developed licenses that help to protect their copyrighted works and also control how the public uses these copyrighted works.

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In *Jacobsen*, the plaintiff, Robert Jacobsen, created and managed an open software group called Java Model Railroad Interface Project. Through the work of several participants, JMRI created a computer programming application called DecoderPro, which allows model train hobbyists to use their computers to program the decoder chips that control model trains. JMRI makes DecoderPro files available for download to the public free of charge via a Web site called SourceForge, one of the largest Internet providers of open source software. The downloadable DecoderPro files contain copyright notices and refer the users to a "COPYING" file, which sets forth terms of use in a license called the Artistic License. Visitors to the plaintiff's JMRI Web site may download DecoderPro free of charge, provided that they adhere to the terms and conditions set forth in the Artistic License.

The defendants, Matthew Katzer and Kamind Associates, Inc., develop a competing software product called Decode Commander, which also uses programma-

ble decoder chips. Jacobsen alleged that during the development of defendants' software, one of their employees used portions of his open source software, DecoderPro. Jacobsen sued the defendants for copyright infringement, alleging that they did not comply with the terms of the Artistic License. Specifically, Jacobsen alleged that defendants: failed to include the JMRI author's names; failed to mention the JMRI copyright notices; failed to reference the COPYING file; failed to identify SourceForge or JMRI as the original source of the definition files; and failed to provide a description of how defendants had modified the DecoderPro code provided by JMRI.

Jacobsen moved for a preliminary injunction, arguing that violation of the terms of the Artistic License constituted copyright infringement. Defendants argued under *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115 (9th Cir. 1999), that a copyright owner who grants a nonexclusive license to use his copyrighted material waives his right to sue the licensee for copyright infringement and can only sue for breach of contract. The lower court, based on *Sun Microsystems*, denied Jacobsen's motion for a preliminary injunction. The court held that the scope of the Artistic License amounted to a mere covenant not to sue and that any violation of the Artistic License constituted breach of contract and not copyright infringement.

The Federal Circuit vacated the decision and remanded the case back to the District Court. The court held that when an open source licensor limits the scope of use of the copyrighted material through the terms of the license, and the licensee's use exceeds the scope of the license, the licensor may bring an action for copyright infringement. Thus, if the terms of the Artistic License that the defendants violated contained both covenants and condi-

tions, such conditions may serve to limit the scope of the license and are therefore governed by copyright law. The court rejected the argument that because no money changed hands in open source licensing, the licensor received no economic consideration. As noted by the court, open source licensors may receive substantial economic benefits that range far beyond traditional license royalties in the form of increased market share for their for-profit programs, enhancement of their national or international reputation and rapid, free of charge improvements to their software products by third parties with expertise and access to the software.

Turning to the facts of *Jacobsen*, the court noted that the Artistic License expressly stated that the document creates conditions: "The intent of this document is to state the conditions under which a Package may be copied." The Artistic License also used the traditional language of conditions by stating that the user's right to copy, modify and distribute are granted "provided that" the conditions are met. Accordingly, the court held that these explicit restrictions in the Artistic License governed a downloader's right to modify and distribute the copyrighted work and created clear conditions that the licensee must follow. The court further found that *Jacobsen's* choice to exact consideration from the licensee in the form of compliance, disclosure and explanation of modifications rather than as a dollar amount did not lessen his rights as a copyright holder to protect his work. For all of these rea-

sons, the court rejected the lower court's holding and found that violation of the open source Artistic License created an action for copyright infringement.

The *Jacobsen* decision has several important implications for open source users. First, if more courts treat violations of the terms of open source licenses as copyright violations, this will likely lead to more courts granting injunctive relief to open source licensors who complain that their license terms have been violated. This is due to the fact that, unlike breach of contract claims, irreparable harm is presumed in cases involving copyright infringement. Second, actions for copyright infringement carry significantly more potential remedies than those for breach of contract, which only allow for monetary damages. Moreover, calculating damages stemming from misuse of a free license under breach of contract is challenging because the licensee did not give monetary consideration in exchange for obtaining the code. Conversely, under a claim for copyright infringement, a licensor may request injunctive relief; statutory damages up to \$150,000 or actual damages and disgorgement of the defendants' profits (to the extent profits do not duplicate actual damages); enhanced damages for willful infringement and attorney fees.

Further, even though the license in *Jacobsen* was an Artistic License, not the General Public License most often used by open source creators, it is likely that

the courts will apply a similar analysis to GPL licenses and conclude that they too contain conditions and not covenants that must be followed by licensees.

Given the fact that *Jacobsen* may increase the number of copyright infringement actions brought by open source creators against users who violate the terms of their licenses, companies should institute policies to protect themselves from potential liability. For example, many companies may not even realize the extent to which they are using open source software to conduct business and to develop new products. First, companies should perform an open source audit to determine whether their employees are currently using open source software to develop any of the company's programs. Companies should pay particular attention to programs incorporated into products that are being sold to the public. If open source use is identified, companies should carefully review the licenses connected with the open source and confirm that their employees are abiding by the terms and conditions of any open source licensing agreements. Next, companies should develop and implement a policy for using open source in future company programs. Finally, employees should be trained to document all uses of open source, so that the company or its attorneys can review the licenses connected with such open source use for compliance.

Erica J. Pruetz is partner and co-founder of Pruetz Law Group, a Los Angeles-based intellectual property and business litigation firm.