



Jacobsen v. Katzer

Enforceability of Open Source Licenses

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# Introduction

## Introduction

- What is open source software?
- Why open source?
- Are open source licenses enforceable?
  - Jacobsen v. Katzer

# Open Source Software

## What is Open Source Software?

- It is software that includes source code
- It is free to use and distribute but you must follow certain conditions
- The principal condition of the GPL, the most popular open source license, is that if you modify it and distribute the modifications, you must also distribute the source code to permit others to make further modifications

## Advantages of Open Source Software

- Fosters rapid and inexpensive development of software
- More reliable code (vetted by many parties, e.g. Linux)
- Attractive to customers because it allows users to customize, for example, their own operating system (e.g. Linux)
- Develops interest in an increased market share for software

## Would a prudent developer give away its software?

- If software is not principal source of revenue, can be profitable in the long run by selling hardware, support, services
  - Similar to Yahoo! or Google model – free service that attracts an advertising base
  - Sun Microsystems open sourced its OS (Solaris) because interest in it was waning, resulting in diminished hardware sales
  - Open source of Solaris allowed customers to modify it to suit their needs, renewing interest in it and therefore Sun hardware
  - Apple did the same with its Mac OS (Darwin)
- If software is used to create applications – release both open and closed source version like MySQL

## Revenue from Open Source Software

- Open source software can create a revenue stream in services
  - You sell services to support customers
    - Example: Red Hat “sells” Linux but what they are actually selling is support and services to integrate Linux into your system
      - furnishes updates to Linux
      - bundles it with MP3 player, device drivers, etc.
    - Example: IBM is “selling” Linux by promoting Linux and selling services around it

## Using Open Source Saves Money

- If software is a cost as opposed to a revenue stream
  - TiVo (hardware runs Linux OS with proprietary applications – eliminates cost)
  - Sony (PS3 OS – eliminates cost)
  - Hosting providers – over 75% of websites are served using open source Apache application

## Open Source = Copyleft

- Copyright allows an author to restrict distribution of his/her work
- Open source licenses require distribution of author's work (Copyleft)
  - Author of improvements to open source licensed software must distribute the source code to author's improvements

## What is Remedy for Violating Terms?

- What if someone improves your software but violates the license by not releasing the source code?
- What is the remedy?
- Until recently, no court had ruled on that important question.

# Jacobsen v. Katzer

## Jacobsen v. Katzer, 535 F.3d 1373 (Fed. Cir. 2008) - Facts

- Robert Jacobsen developed open source software for model trains



## Jacobsen v. Katzer -- Artistic License

- Jacobsen made software available to the public subject to the Artistic License



- Software is free to the public
- PROVIDED THAT user identifies the source, other conditions

## Jacobsen v. Katzer

- Matthew Katzer and Kamind Associates developed commercial software for model train industry and hobbyists using part of Jacobsen's code
- Katzer Fails to identify source
- Violate terms of Artistic License

## Jacobsen v. Katzer

- Jacobsen brings action against Katzer for copyright infringement
- Accused of copying the software and incorporating it into the code without abiding by the terms of the license
- Jacobsen moves for preliminary injunction against the defendants' sale of the software

## Katzer's Argument

- Katzer argues that the violations of the license agreements were just a breach of contract
- Breach of contract is usually remedied by money damages not by a preliminary injunction
- And since this was a free license, there are no damages, so defendants do not have to pay any money



## Why is Copyright Infringement Preferable?

- Copyright infringement usually remedied by an injunction against further infringement
- Injunction stops sales of software
- Availability of statutory damages

## Licensing Basics

- A license to copy is a promise not to sue the licensee for copyright infringement
- But the promise extends only as far as the license
- If the licensee breaks a condition of the license, the licensee can be sued for copyright infringement because there is no license for that act
- License to sell 10 books; licensee sells 20

## Hypothetical – Condition or Covenant?

- Songwriter lets artist use song in a movie
- Contract states that songwriter gets an up-front payment and that songwriter's name will be in the opening credits
- Movie producer fails to make up-front payment
- Can songwriter enjoin distribution of movie?

## Hypothetical 2 – Condition or Covenant?

- Songwriter lets artist use song in a movie
- Contract states that songwriter gets an up-front payment and that songwriter's name will be in the opening credits
- Songwriter's name is in the final credits
- Can songwriter enjoin distribution of movie?

## Actual Case – Condition or Covenant?

- Sun licenses Java to Microsoft
- Sun requires in contract that all modifications to Java are compatible with Sun's Java Native Interface ("JNI")
- Microsoft modifies Java but not compatible with JNI
- Can Sun enjoin Microsoft's use?

## Artistic License – Condition or Covenant?

### Preamble:

“The intent of this document is to state the conditions under which a Package may be copied, such that the Copyright Holder maintains some semblance of artistic control over the development of the package, while giving the users of the package the right to use and distribute the Package in a more-or-less customary fashion, plus the right to make modifications.”

## Artistic License – Condition or Covenant?

3. You may otherwise modify your copy of this Package in any way, provided that you insert a prominent notice in each changed file stating how and when you changed that file, and provided that you do at least ONE of the following:
  - a) place your modifications in the Public Domain or otherwise make them Freely Available, such as by posting said modifications to Usenet or an equivalent medium, or placing the modifications on a major archive site such as [ftp.uu.net](http://ftp.uu.net), or by allowing the Copyright Holder to include your modifications in the standard version of the package
  - b) use the modified Package only within your corporation or organization

## District Court

- From District Court Decision:

“The scope of the nonexclusive license is, therefore, intentionally broad. The condition that the user insert a prominent notice of attribution does not limit the scope of the license. Rather, Defendants’ alleged violation of the conditions of the license may have constituted a breach of the nonexclusive license, but does not create liability for copyright infringement where it would not otherwise exist.”

## Federal Circuit Decision

- Attribution is a Condition of the license:

“By requiring that users copy and restate the license and attribution information, a copyright holder can ensure the recipients of the redistributed computer code know the identity of the owner as well as the scope of the license granted by the original owner.” 535 F.2d at 1379

## Federal Circuit Decision, 535 F.3d at 1376

“The attribution and modification transparency requirements directly serve to drive traffic to the open source incubation page and to inform downstream users of the project, which is a significant economic goal of the copyright holder that the law will enforce. Through this controlled spread of information, the copyright holder gains creative collaborators to the open source project; by requiring that changes made by downstream users be visible to the copyright holder and others, the copyright holder learns about the uses for his software and gains others knowledge that can be used to advance future software releases.”

## Federal Circuit Decision

“The choice to exact consideration in the form of compliance with the open source requirements of disclosure and explanation of changes, rather than as a dollar-denominated fee, is entitled to no less legal recognition. Indeed, because a calculation of damages is inherently speculative, these types of license restrictions might well be rendered meaningless absent the ability to enforce through injunctive relief.”

## Benefits of Attribution Notice

Example notice: “Copyright Jan. 1, 2009 by John Doe under the Artistic License, with the following modifications copyright Mar. 1, 2009 by Michael Graif (list of modifications)”

### Benefits:

- Original creator gets the benefit of improved software and knows the identity of the improvers
- Users will visit creator’s website
- Downstream licensees know who to approach for additional permissions

## What is Federal Circuit Really Saying?

- If Jacobsen charged for a license, court might not have considered a licensee's failure to include attribution to be a condition of the license
- But since Jacobsen does not charge for software (nor does any Open Source licensor), the only benefit Jacobsen gets from the license is the attribution and knowing who modified the software, and having others know who created it

## Jacobsen v. Katzer

- Traditional damages calculation: what would plaintiff have earned had the contract not been breached?
- E.g. If I had sold your book in all 50 states like I promised rather than 48, I would have earned more and you would have earned more – you can be compensated
- Here, Jacobsen would have earned nothing had Katzer included the attribution as promised

## Jacobsen v. Katzer

- Open source community breathes a sigh of relief at reversal
- Since the open source licensee does not pay – just agrees to comply with certain terms – the entire integrity of open source licensing is based on the power to prevent someone who does not comply with the license terms from using the software
- If injunction were not available, there would essentially be no consequences for breaching the license

## Jacobsen v. Katzer

- Lawrence Rosen, “Bad Facts Make Good Law: The Jacobsen Case and Open Source” (2008)

“I know the people who wrote the Artistic License, and those who wrote the GPL, and those who wrote many other open source licenses. For most of us, we lucked out on the Jacobsen case. Many of us license authors didn’t know that legal difference between a “covenant” and a “condition: when our licenses were written (and many attorneys still don’t).”

## Jacobsen v. Katzer – Moral of the Story

- Condition license grant on actions by licensee
  - Use words like “provided that”
  - Subject to compliance with A, B, and C, which are conditions of the license, I hereby grant you a license to use software, provided that and only to the extent that you continue to comply with conditions A,B, and C
- Explicitly state that license is void and terminates should the licensee fail to comply with key conditions

## Federal Circuit Holding -- Impact

- Jacobsen case may lead to more lawsuits by open source licensors
- But there are usually many authors of an open source program, so who is the plaintiff?
- Unusual for there to be one author of an open source program, as in Jacobsen

## Other Open Source Cases - Free Software Foundation v. Cisco

- FSF, owner of the copyright in several GNU programs, sued Cisco for violating the GPL license
- Cisco admitted that it had distributed the model WIP300 and firmware without providing the corresponding source code required by the license
- GPL does not explicitly state: “the intent of this document is to state the conditions under which a Package may be copied”

## Other Open Source Cases -- Microsoft v. TomTom

- On February 25, 2009, Microsoft sued TomTom alleging that TomTom navigation devices infringe eight Microsoft patents. Three of the patents relate to the Linux kernel that TomTom uses in its devices.
- TomTom countersued for infringement by Microsoft's map software
- Case settled with cross-licensing deal on March 30, 2009

## Other Open Source Cases -- SCO v. IBM

- In 2003, SCO sued IBM and Novell separately for \$1 billion alleging that IBM's and Novell's Linux code used SCO's Unix code
- Court rules that Novell and not SCO is the rightful owner of Unix
- SCO filed for bankruptcy in 2007, so the IBM case never reached trial.

## Other Open Source Cases – BusyBox Litigation

- Lawsuits filed against companies for violating the GPL under which BusyBox software is distributed
- Cases brought for failing to include source code, failure to include attribution
- Source code not modified
- All cases settled out of court

## Jacobsen v. Katzer – Status of Case

- Remanded to District Court to determine whether, in view of the copyright infringement, a preliminary injunction was appropriate
- District court denied the injunction again, finding no irreparable harm
- Gave Jacobsen leave to file an amended complaint, which he did and now includes a counterclaim for copyright infringement

## Conclusion

- We have yet to see the impact of *Jacobsen v. Katzer* in terms of volume of open source litigation
- Companies have watched this carefully because risk of having open source is higher
- Perform open source audits – ensure compliance

Thank you

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