

# Comment and Analysis

## Model Railroad Case Supports Enforceability of Open Source Software Licenses and Provides Guidance For Licensors

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The United States Court of Appeals for the Federal Circuit recently issued an opinion that bolsters the enforceability of open source software licenses.

In *Jacobsen v. Katzer*,<sup>1</sup> the Court held that a licensor providing free open source software properly can limit the further distribution of the software through terms in the open source software license requiring attribution credits to the original author. The decision is important because the Court held that the party failing to provide credit required under the license violated copyright law.

Open source software is software developed and licensed collaboratively in a way that allows the open source software source code to be copied, distributed and used as the basis to create other software (termed derivative works under copyright law), so long as any further modifications and developments of that open source software are shared in source code form. Generally speaking, all software used by a computing device is object code, which is the binary form that a computer reads and is compiled from a human-readable programming language known as source code.

The source code for proprietary software usually is considered a valuable trade secret and is not made available to the public. In contrast, the source code for open source software is available publicly. Open source software generally is distributed without charge but is subject to restrictions in the license applicable to the software in question. Open source software licensors rely on their rights under copyright law to control the copying and distribution of the software as a means to enforce the open source software license restrictions.

### Artistic License

The *Jacobsen* case involved certain software code made available by Robert Jacobsen, a physics professor at the University of California, on behalf of an open source software group called the Java Model Railroad Interface (JMRI). Jacobsen offered the software free of charge under a type of open source license called an Artistic License, which required only that subsequent distributors of the code include an attribution notice and credit.

Matthew Katzer and his business, KAM Industries, incorporated the JMRI code into a commercial product that they called Decoder Commander; the program was used to program decoder chips in model trains. After Katzer

failed to comply with the notice and attribution requirements of the Artistic License, Jacobsen filed a lawsuit claiming copyright infringement and seeking a preliminary injunction halting Katzer's distribution of the JMRI code.

The District Court that first considered the case held that the Artistic License was "unlimited in scope" and did not provide a basis for copyright infringement. In particular, the Court stated that the notice and attribution requirements were covenants and not conditions in the Artistic License, and that failure to comply with such covenants did not support enjoining the use of the code. In other words, while the lower court held that Jacobson had a cause of action for breach of the license agreement, he did not have a cause of action for copyright infringement.

This ruling was significant because it is typically easier to obtain an injunction to stop copyright infringement than to stop or remedy a breach of contract, and when dealing with software that is regularly distributed free of charge, injunctive relief, as opposed to monetary damages, is more likely the remedy of choice for any plaintiff.

### Federal Circuit Overrules

The Federal Circuit, in overruling the District Court Judge (the CAFC had jurisdiction because the case initially included a patent-infringement claim), held that the notice and attribution requirements in the Artistic License were conditions to the license.

In this context, a condition is a contractual obligation with which the licensee must comply in order to exercise the license rights. As a result of his failure to comply with these requirements, Katzer had exceeded the scope of his license and was subject to a preliminary injunction to stop his alleged infringement.

### GNU GPL

The Federal Circuit engaged in an extended discussion of open source licensing, including references to the GNU General Public License (GPL) and the various Creative Commons licenses. (Creative Commons filed an *amicus* brief in the case.) The Court noted the benefits of attribution and other requirements imposed under open source licenses, including enhanced public reputation of the authors of the code and the ability to

keep track of changes so that rapid modifications and improvements may be made.

The Court emphasized that “the lack of money changing hands in open source licensing should not be presumed to mean that there is no economic consideration” resulting from the license requirements and that other courts have recognized “the economic motives inherent in public licenses, even where profit is not immediate.”

## First Such Decision

The *Jacobsen* case is one of the first reported decisions relating to open source licenses and is the first U.S. appellate decision to uphold the enforceability of an open source software license under copyright law.<sup>2</sup> The ruling is being celebrated in the open source community as confirming the validity and enforceability of the open source licensing model. That celebration is appropriate because the decision confirms that copyright-infringement remedies are available to an open source software licensor seeking to enforce its license conditions (*e.g.*, attribution), provided the licensor uses a license that expresses its requirements as conditions of the license and not as independent covenants or promises.

The ruling also is significant because copyright remedies, which include the potential recovery of consequential damages such as lost profits, statutory damages and attorneys’ fees, are generally more robust than contractual remedies.

The decision also provides important guidance for all software and other copyright licensors. If a licensor wants to have copyright remedies available for a breach of its license agreement, the licensor should ensure that the license grant in the agreement is explicitly conditioned on the licensee’s compliance with specified license provisions. This approach may not work for every obligation, no matter how secondary, but the *Jacobsen* case supports using this approach for significant obligations.

Although the *Jacobsen* decision concerned an open source license, it more generally upholds the right of copyright licensors to prevent others from using their work absent compliance with the license conditions.

## Applicability to Patent Licenses

Patent licensors and licensees may wonder about the implications of the *Jacobsen* decision for patent licenses. Although the decision was rendered by the Federal Circuit, whose jurisdiction focuses on patent cases, the de-

cision is not based on patent law and instead applies the copyright law of the Court of Appeals for the Ninth Circuit, primarily relying on the Court’s analysis and holding in *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115 (9th Cir. 1999).

Open source software licenses typically grant no explicit patent licenses and also disclaim any warranty of patent non-infringement (or other intellectual property infringement). However, the newest version of one of the leading open source licenses, GPL version 3, includes a patent license to anyone making changes to the code “under the [open source software] contributor’s essential patent claims.” An additional provision of the GPL v.3 requires, in certain circumstances, those “knowingly relying on a patent license” to extend the patent license to downstream users.

Generally speaking, patent cases to date have not explicitly made the same type of “condition versus covenant” distinction that formed the basis for the Federal Circuit’s *Jacobsen* decision. Patent cases instead have focused on whether the licensee violated a provision in the patent license that defines the scope of the patent grant. Where that occurs, the licensor will have a cause of action for patent infringement.<sup>3</sup>

Examples of terms that have been viewed as defining the patent grant include market-type restrictions, territorial restrictions, and re-use restrictions. In cases where the patent license term at issue does not arise out of the patent grant (*e.g.*, royalties, failure to open books), the prevailing rule is that the licensor has no cause of action for patent infringement, and the licensor’s remedy is to rescind the license (assuming a material breach) and sue for infringement if the now-former licensee continues exploitation of the patented invention. (Of course, the licensor also may sue for breach of contract.)

## Notes

<sup>1</sup> *Jacobsen v. Katzer*, No. 2008-1001, 2008 WL 3395772 (Fed. Cir. Aug. 13, 2008).

<sup>2</sup> In *Wallace v. International Business Machines Corp.*, 467 F.3d 1104 (7th Cir. 2006), the Seventh Circuit rejected a claim that IBM, Red Hat, Novell, the Free Software Foundation and others illegally conspired to eliminate competition in the computer operating system market by making Linux available for free under the GNU General Public License, applying a “quick look” rule of reason analysis. In *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188 (11th Cir. 2001), the Eleventh Circuit held that the distribution of software under the GNU General Public License did not defeat the licensor’s trademark ownership nor cede the licensor’s trademark rights to the public domain.

<sup>3</sup> See *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 708 (Fed. Cir. 1992); see also *Quanta Computer, Inc. v. LG Electronics, Inc.*, 128 S. Ct. 2109, 2121 (June 9, 2008) (noting that licensors generally may enforce conditions to the patent grant in patent licenses and that the license grant in question contained no explicit conditions).