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THE DECISION OPEN SOURCE HAS BEEN WAITING FOR

As has been widely publicized in the industry, legal and even mainstream media, on August 13, 2008 the U.S. Court of Appeals for the Federal Circuit (CAFC) issued its decision in the closely watched case of *Jacobsen v. Katzer*. In its decision, the CAFC confirmed one of the core legal assumptions upon which the entire open source world is based — namely that open source licenses are legally enforceable as licenses under U.S. copyright law. Perhaps more importantly, the CAFC's decision also validated the ability of open source licensors to seek injunctive relief under copyright law to stop violations of open source licenses, in addition to merely being able to seek monetary damages in compensation for those violations. While the decision itself totals only 12 pages, it has potentially far-reaching implications for both users and distributors of free and open source software (and has instantly become required reading for anyone with interest or involvement in open source software licensing or compliance issues).

District Court Case

Interestingly, the *Jacobsen* case was originally filed as a patent infringement case in the U.S. District Court for the Northern District of California. In the case, Matthew Katzer (through his company Kamind Associates Inc. d/b/a KAM Industries) alleged that the DecoderPro model railroad software developed and distributed by Robert Jacobsen infringed U.S. Patent No. 6,530,329 (for a "model train control system") owned by Katzer. Jacobsen responded to these allegations by, among other things, seeking to invalidate the Katzer patent on the basis of fraud. In particular, Jacobsen asserted that significant portions of the software covered by Katzer's patent, and marketed by Katzer under the name "Decoder Commander," were in fact comprised of code taken from Jacobsen's own DecoderPro software. Jacobsen also brought a counterclaim against Katzer asserting copyright infringement on the basis of Katzer's unauthorized use of the portions of DecoderPro in Decoder Commander.

The DecoderPro software is distributed by Jacobsen under the Artistic License, a well-known open source license. Jacobsen's counterclaim alleged that Katzer distributed the portions of DecoderPro included in Decoder Commander in violation of the Artistic License by failing to comply with the attribution provisions of the license. In particular, the Artistic License requires that all original copyright notices and disclaimers on the software received under the license be preserved in any distribution of software and that any changes made by the licensee be distinguished from the software originally received under the license. Jacobsen asserted Katzer's failure to adhere to these provisions of the Artistic License constituted an infringement of Jacobsen's copyright in DecoderPro, reasoning that the use of DecoderPro outside of the scope of the applicable license constituted copyright infringement.

On this basis, Jacobsen moved for a preliminary injunction to enjoin Katzer from infringing the copyright in DecoderPro. However, in a decision issued on August 17, 2007, the district court surprised many by denying Jacobsen's motion.

Conditions vs. Covenants

It is well settled that the grant of a license to copyrighted material effectively constitutes a waiver of the licensor's right to sue for copyright infringement, so long as the licensee complies with the conditions placed on the scope of that license. If a licensee does not remain within the scope created by those conditions, it thus follows that the licensee is infringing the copyright of the licensor and that the licensor may seek an injunction against the licensee to stop the infringing activity. A *condition* on the scope of a license is, however, treated differently from a separate *covenant* placed on the license. Rather than giving rise to the right to seek an injunction for copyright infringement, the violation of a separate covenant is treated more akin to a breach of contract and thus, gives rise only to a right to seek monetary damages for that breach.

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The district court in *Jacobsen* found that the Artistic License has a very broad scope, placing very few actual conditions on a licensee's right to copy, distribute, and create derivative works of software provided under the license. The court found that even the use by Katzner of portions of DecoderPro in Decoder Commander did not exceed the scope of these conditions. Separate and apart from these conditions, the court found that the attribution provisions of the Artistic License instead constitute a separate *covenant* between the parties to the license. As a result, Katzner's use of portions of DecoderPro without providing the required attribution to Jacobsen constituted only a violation of a separate covenant to the license and not a violation of a condition of the license itself. Thus, though Jacobsen may be subject to monetary damages for breach of these covenants, the court found that his actions did not constitute copyright infringement. As a result, the court held that it had no basis upon which to issue an injunction for copyright infringement.

Appeal to the CAFC

The decision of the district court in *Jacobsen* surprised many in the open source community who had long assumed that a failure to comply with the terms of an open source license such as the Artistic License would constitute a violation of the conditions on the scope of the license and thus give rise to a claim for copyright infringement and the right of the licensor to seek an injunction to stop the infringement. The decision caused concern that the court had effectively foreclosed the option of an injunction as a remedy for the violation of an open source license, leaving aggrieved open source licensors with only the far less attractive (and often far more difficult to obtain) remedy of monetary damages. The decision of the CAFC in the appeal of the district court's finding, however, serves to calm many of these concerns.

Stating that "Copyright holders who engage in open source licensing have the right to control the modification and distribution of [their] copyrighted material," the CAFC found that the "clear language" of the Artistic License creates *conditions*, and *not covenants*, to protect the rights of the licensor at issue under the license. These conditions, the court noted, include not only the provisions regarding the copying, distribution, and modification of the software subject to the license but also the relevant attribution provisions. In justifying its conclusion, the CAFC noted that the conditions on distribution, modification, and attribution in the Artistic License serve to create significant and direct economic benefit to the licensor under the Artistic License. The conditions are thus necessary to accomplish the objectives of the licensor and therefore must be enforced. Interpreting the provisions of the Artistic License otherwise would, according to the decision of the CAFC, render them "meaningless" by foreclosing the ability to enforce those provisions through injunctive relief.

The CAFC thus vacated the decision of the district court and remanded the case back to the district court for further consideration in accordance with the decision of the CAFC.

The Impact

While *Jacobsen* is focused on the language of the Artistic License, the decision of the CAFC is broadly worded and seemingly also applicable to the language of many other popular open source licenses, such as the widely used GNU General Public License (GPL) and GNU Lesser General Public License (LGPL). As a result, the decision should be viewed as a ringing endorsement of the validity of not just the Artistic License but of open source licenses in general. In addition, the decision opens the door for open source licensors under all open source licenses to seek injunctive relief for copyright infringement as a remedy for license violations.

It is also significant to note that a finding of copyright infringement gives rise not just to the option of injunctive relief, but to additional remedies as well. Under U.S. copyright law, copyright holders may, in many cases, also seek statutory damages (without the need to prove actual monetary damages) in the case that the infringement involves a registered copyright. Likewise, registered copyright holders can also make a claim for the recovery of attorney's fees for copyright infringement. Depending on how *Jacobsen* is interpreted in future contexts, the case thus has the potential to provide open source licensors with strong additional powers to enforce their rights.

For companies that have already taken steps to comply with the open source licenses to which they are subject, the CAFC's decision in *Jacobsen* should not have a significant impact. However, *Jacobsen* has the potential to significantly increase the risk of noncompliance with open source licenses. For those companies that have elected not to comply with open source licenses or, as is the case with many companies, have chosen to remain unaware of the open source software licenses to which they may be subject, *Jacobsen* should be all the incentive that is necessary to adopt and implement a sound open source license compliance program.

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