Federal Circuit Says "Open Source" Licenses Are Enforceable Under Copyright Law

11.30.2008

The Federal Circuit recently decided for the first time in Jacobsen v. Katzer that a copyright holder may distribute work for free public use under an "open source" license and still enforce controls on future distribution and modification of the work. 535 F.3d 1373 (Fed. Cir. 2008). The appeals court vacated the controversial decision of the district court, which found that violating the terms of an "intentionally broad," non-exclusive open source license could not constitute copyright infringement.

Background

The Plaintiff in the case, Robert Jacobsen, managed an open source software group called the Java Model Railroad Interface ("JMRI"). JMRI's copyrighted programs for controlling model trains were available for public download from the open source incubator website Source Forge. The code was distributed without a financial fee and pursuant to an open source Artistic License. Defendant Mathew Katzer and a related company offered competing model train software. Their proprietary software incorporated JMRI code, which was obtained pursuant to the Artistic License.

Jacobsen alleged that Katzer's software violated several conditions in the Artistic License, including requirements for identifying the source of the code and any modifications made to it. Jacobsen sued for copyright infringement in the Northern District of California and moved for a preliminary injunction. The district court denied equitable relief, characterizing the alleged violations as mere breaches of contract, which unlike copyright infringement do not create a presumption of irreparable injury under Ninth Circuit law. Because Jacobsen's lawsuit also sought a declaration that his software did not infringe a patent held by the defendants, the appeal went to the Federal Circuit.

Legal Issues

The big legal issue on appeal was whether Jacobsen could sue for copyright infringement or was limited to an action for breach of contract. In additional to making it easier to obtain an injunction, a copyright infringement claim was attractive to Jacobsen because it would come with the potential for attorneys' fees and statutory damages. These important remedy questions turned on whether the terms violated in the Artistic License were conditions of, or merely covenants to, the copyright license. In other words, if Katzer breached a fundamental condition for obtaining material under the Artistic License, he had no legal right to use the JMRI code, and was therefore subject to a claim for copyright infringement. On the other hand, if Katzer simply breached a

promise or covenant in the Artistic License under which he received the code, he was only on the hook for contract damages, which might have been hard to prove in a case like this, where the software and source code were distributed without charge.

Prior case law had held that terms simply requiring payment of royalties and author attribution were mere covenants. See, e.g., Graham v. James, 144 F.3d 229, 237 (2d Cir. 1998) (noting that New York law presumes that contract terms are covenants, not conditions). The Federal Circuit, however, noted that the Artistic License at issue in Jacobsen was designed to make the relevant terms "conditions" rather than mere covenants. Indeed, the license contained "conditions" under which the material could be used, "provided that" such conditions were met. The court rejected the argument that such conditions were not enforceable under copyright law just because the copyrighted work was made available to the public at no charge. The attribution and modification requirements served to drive traffic to the incubator site and inform downstream users of the project, the kind of economic goals that copyright law was designed to protect. By ignoring these conditions, Katzer's actions were outside the scope of the Artistic License.

Perhaps as important as the above analysis, the court also noted that as many as 100,000,000 works have already been licensed under open source arrangements, which the court described as a "widely used method of creative collaboration that serves to advance the arts and sciences in a manner and at a pace that few could have imagined just a few decades ago." The court cited the Apache web server, the Firefox web browser, and the Linux operating system as important examples.

The Court concluded that copyright holders who engage in open source licensing "have the right to control the modification and distribution of copyrighted material. . . The choice to exact consideration in the form of compliance with open source requirements of disclosure and explanation of changes, rather than as a dollar-denominated fee, is entitled to no less legal recognition." 535 F.3d at 1381-82.

Implications

Because the Federal Circuit was created as a specialist court to decide patent appeals, the court is often considered a bellweather on intellectual property matters. So while the Jacobsen decision is technically only binding on the small subset of copyright cases subject to Federal Circuit review, the court's sweeping language will probably make it easier for open source vendors to enforce their rights in other circuits.

The main take away message for business owners is to remain vigilant about the source of any code incorporated in their products. The growing availability of "free" software and source code increases the chance that someone on your product development team will "borrow" a useful

piece of code without complying with the terms of an open source license. The implications of such unauthorized use are now clear: your entire distribution network could to be halted by a preliminary injunction. With so many products containing software these days, it is only fitting that a case involving toys trains would convey such an important message.