

# Circuit Court Ruling Likely To Boost Use and Enforcement of Open Source Licenses

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*A recent decision by the U.S. Court of Appeals for the Federal Circuit makes it clear that copyright holders that engage in open source licensing have the right to control the modification and distribution of their copyrighted material.*

Public licenses, often referred to as “open source” licenses, are used by artists, authors, educators, software developers, and scientists who wish to create collaborative projects and to dedicate certain works to the public. Several types of public licenses have been designed to provide creators of copyrighted materials with a means to protect and control their copyrights. For example, Creative Commons Corporation, a Massachusetts-chartered tax-exempt charitable corporation, provides free copyright licenses to allow parties to dedicate their works to the public or to license certain uses of their works while keeping some rights reserved.<sup>1</sup>

Open source licensing has become 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 short while ago. For example, the Massachusetts Institute of Technology (“MIT”) uses a Creative Commons public license for an OpenCourseWare project that licenses all

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1,800 MIT courses. Other public licenses support the GNU/Linux operating system, the Perl programming language, the Apache web server programs, the Firefox web browser, and the collaborative web-based encyclopedia known as Wikipedia. According to Creative Commons, there are close to 100,000,000 works licensed under various Creative Commons licenses. Additionally, the Wikimedia Foundation estimates that the Wikipedia web site has more than 75,000 active contributors working on some 9,000,000 articles in more than 250 languages.

Open source software projects invite computer programmers from around the world to view the software code and make changes and improvements to it. Through such collaboration, software programs can often be written and debugged faster and at lower cost than if the copyright holder were required to do all of the work independently. In exchange and in consideration for this collaborative work, the copyright holder permits users to copy, modify, and distribute the software code subject to conditions that serve to protect downstream users and to keep the code accessible.<sup>2</sup> By requiring that users copy and restate the license and attribution information, a copyright holder can ensure that 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. Some such licenses also require that changes to the computer code be tracked so that downstream users know what part of the computer code is the original code created by the copyright holder and what part has been newly added or altered by another collaborator.

Traditionally, copyright owners sold their copyrighted material in exchange for money. Courts have recognized that the lack of money changing hands in open source licensing does not necessarily mean that there is no economic consideration. There are substantial benefits, including economic benefits, to the creation and distribution of copyrighted works under public licenses that range far beyond traditional license royalties. For example, program creators may generate market share for their programs by providing certain components free of charge. Similarly, a programmer or company may increase its national or international reputation by incubating open source projects. Improvement to a product can come rapidly and free of charge from an expert not even

known to the copyright holder. The U.S. Court of Appeals for the Eleventh Circuit has recognized the economic motives inherent in public licenses, even where profit is not immediate.<sup>3</sup>

Recently, in *Jacobsen v. Katzer*,<sup>4</sup> the U.S. Court of Appeals for the Federal Circuit considered the ability of a copyright holder to dedicate certain work to free public use and yet enforce an “open source” copyright license to control the future distribution and modification of that work. The Federal Circuit’s decision, vacating and remanding a decision by a federal district court in California denying the plaintiff’s request for a preliminary injunction, is a significant ruling that is likely to boost the continuing use of open source licenses in the future.

## BACKGROUND

The case was filed by Robert Jacobsen, who holds a copyright to computer programming code and who manages an open source software group called the Java Model Railroad Interface (“JMRI”). Through the collective work of many participants, JMRI created a computer programming application called DecoderPro, which allows model railroad enthusiasts to use their computers to program the decoder chips that control model trains. DecoderPro files are available for download and use by the public free of charge from an open source incubator web site called SourceForge; Jacobsen maintains the JMRI site on SourceForge. The downloadable files contain copyright notices and refer the user to a “COPYING” file, which sets forth the terms of the “Artistic License,” an “open source” or public license.

Matthew Katzer and Kamind Associates, Inc. (collectively “Katzer/Kamind”) develop commercial software products for the model train industry and hobbyists. Katzer/Kamind offers a software product, Decoder Commander, that competes with the JMRI DecoderPro and that also is used to program decoder chips. In the federal lawsuit he filed in California, Jacobsen alleged that, during development of Decoder Commander, one of Katzer/Kamind’s predecessors or employees downloaded the decoder definition files from DecoderPro and used portions of these files as part of the Decoder Commander software. Jacobsen alleged

that the Decoder Commander software files that used DecoderPro definition files did not comply with the terms of the Artistic License. Specifically, the Decoder Commander software did not include:

1. the authors' names,
2. JMRI copyright notices,
3. references to the COPYING file,
4. an identification of SourceForge or JMRI as the original source of the definition files, and
5. a description of how the files or computer code had been changed from the original source code.

Jacobsen also alleged that the Decoder Commander software had changed various computer file names of DecoderPro files without providing a reference to the original JMRI files or information on where to get the Standard Version.<sup>5</sup>

Jacobsen moved for a preliminary injunction, arguing that the violation of the terms of the Artistic License constituted copyright infringement and that, under the applicable law of the U.S. Court of Appeals for the Ninth Circuit, irreparable harm could be presumed in a copyright infringement case. The district court reviewed the Artistic License and determined that the defendants' alleged violation of the conditions of the license might have constituted a breach of the nonexclusive license, but did not create liability for copyright infringement where it would not otherwise exist. The district court found that Jacobsen had a cause of action only for breach of contract, rather than an action for copyright infringement based on a breach of the conditions of the Artistic License.

In particular, the district court held that the open source Artistic License created an "intentionally broad" nonexclusive license that was unlimited in scope and thus did not create liability for copyright infringement. The district court reasoned:

The plaintiff claimed that by modifying the software the defendant had exceeded the scope of the license and therefore infringed the

copyright. Here, however, the JMRI Project license provides that a user may copy the files verbatim or may otherwise modify the material in any way, including as part of a larger, possibly commercial software distribution. The license explicitly gives the users of the material, any member of the public, “the right to use and distribute the [material] in a more-or-less customary fashion, plus the right to make reasonable accommodations.” 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.

The district court determined that the defendants’ alleged violation of the conditions of the license may have constituted a breach of the nonexclusive license, but did not create liability for copyright infringement where it would not otherwise exist. On this basis, the district court denied the motion for a preliminary injunction. This was a significant ruling because, as the parties themselves recognized, there might be no way to calculate any monetary damages under a contract theory. Jacobsen appealed.

## THE APPELLATE RULING

In its decision, the circuit court noted that the parties did not dispute that Jacobsen was the holder of a copyright for certain materials distributed through his web site.<sup>6</sup> Katzer/Kamind also acknowledged that portions of the DecoderPro software had been copied, modified, and distributed as part of the Decoder Commander software. Accordingly, the circuit court ruled, Jacobsen had made out a prima facie case of copyright infringement.

Katzer/Kamind argued that they could not be liable for copyright infringement because they had a license to use the material. Thus, the circuit court declared, it had to evaluate whether the use by Katzer/Kamind was outside the scope of the license.

It explained that the copyrighted materials in this case were downloadable by any user and were labeled to include a copyright notification

and a COPYING file that included the text of the Artistic License. The Artistic License granted users the right to copy, modify, and distribute the software:

provided that [the user] insert a prominent notice in each changed file stating how and when [the user] changed that file, and provided that [the user] do at least ONE of the following:

- a) place [the user's] 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, or by allowing the Copyright Holder to include [the user's] modifications in the Standard Version of the Package;
- b) use the modified Package only within [the user's] corporation or organization;
- c) rename any non-standard executables so the names do not conflict with the standard executables, which must also be provided, and provide a separate manual page for each nonstandard executable that clearly documents how it differs from the Standard Version; or
- d) make other distribution arrangements with the Copyright Holder.

The circuit court declared that the heart of the argument on appeal concerned whether the terms of the Artistic License were conditions of, or merely covenants to, the copyright license. Generally, it explained, a copyright owner that granted a nonexclusive license to use its copyrighted material waived its right to sue the licensee for copyright infringement and could sue only for breach of contract.<sup>7</sup> If, however, a license was limited in scope and the licensee acted outside the scope, the licensor could bring an action for copyright infringement.<sup>8</sup>

Thus, the circuit court explained, if the terms of the Artistic License allegedly violated were both covenants and conditions, they could serve to limit the scope of the license and were governed by copyright law. If they were merely covenants, by contrast, they were governed by contract law.<sup>9</sup> The circuit court noted that the district court had not expressly

found whether the limitations in the Artistic License were independent covenants or, rather, conditions to the scope; it stated that the district court's analysis, however, had "clearly treated the license limitations as contractual covenants rather than conditions of the copyright license."

Jacobsen argued that the terms of the Artistic License defined the scope of the license and that any use outside of these restrictions was copyright infringement. Katzer/Kamind argued that these terms did not limit the scope of the license and were merely covenants providing contractual terms for the use of the materials, and that their violation of these terms was neither compensable in damages nor subject to injunctive relief. Katzer/Kamind's argument was premised upon the assumption that Jacobsen's copyright gave him no economic rights because he had made his computer code available to the public at no charge. From this assumption, Katzer/Kamind argued that copyright law did not recognize a cause of action for non-economic rights, relying on *Gilliam v. ABC*, in which the Second Circuit Court of Appeals stated that, "American copyright law, as presently written, does not recognize moral rights or provide a cause of action for their violation, since the law seeks to vindicate the economic, rather than the personal rights of authors."<sup>10</sup> The district court based its opinion on the breadth of the Artistic License terms, which the Federal Circuit also reviewed.

## THE LICENSE

The circuit court observed that the Artistic License stated on its face that the document created conditions: "The intent of this document is to state the *conditions* under which a Package may be copied." (Emphasis added.) It added that the Artistic License also used the traditional language of conditions by noting that the rights to copy, modify, and distribute were granted "*provided that*" the conditions were met. The term "provided that" typically denoted a condition, the court noted.<sup>11</sup>

According to the circuit court, the conditions set forth in the Artistic License were "vital" to enable the copyright holder to retain the ability to benefit from the work of downstream users. By requiring that users that modified or distributed the copyrighted material retained the reference to

the original source files, downstream users were directed to Jacobsen's web site. Thus, downstream users knew about the collaborative effort to improve and expand the SourceForge project once they learned of the "upstream" project from a "downstream" distribution, and they could join in that effort.

The circuit court pointed out that the district court had interpreted the Artistic License to permit a user to "modify the material in any way" and had not found that any of the "provided that" limitations in the Artistic License served to limit this grant. The circuit court then ruled that the district court's interpretation of the conditions of the Artistic License had not credited the explicit restrictions in the license that governed a downloader's right to modify and distribute the copyrighted work. Jacobsen "expressly stated the terms upon which the right to modify and distribute the material depended and invited direct contact if a downloader wished to negotiate other terms." These restrictions, the circuit court found, were both clear and necessary to accomplish the objectives of the open source licensing collaboration, including economic benefit. Moreover, the circuit court added, the district court had not addressed the other restrictions of the license, such as the requirement that all modification from the original be clearly shown with a new name and a separate page for any such modification that showed how it differed from the original.

In this case, the circuit court concluded, a user that downloaded the JMRI copyrighted materials was authorized to make modifications and to distribute the materials "provided that" the user followed the restrictive terms of the Artistic License. The circuit court declared that a copyright holder could grant the right to make certain modifications, yet retain its right to prevent other modifications. Indeed, it found, such a goal was "exactly the purpose of adding conditions to a license grant."<sup>12</sup> The Artistic License, like many other common copyright licenses, required that any copies that were distributed contain the copyright notices and the COPYING file. It found that it was outside the scope of the Artistic License to modify and distribute the copyrighted materials without copyright notices and a tracking of modifications from the original computer files. If a downloader did not assent to these conditions stated in the COPYING file, the downloader was instructed to "make other arrangements with the



Copyright Holder.” The circuit court emphasized that Katzer/Kamind had not made any such “other arrangements.” It then stated that the “clear language of the Artistic License” created conditions to protect Jacobsen’s economic rights in the granting of a public license. These conditions governed the rights to modify and distribute the computer programs and files included in the downloadable software package. The attribution and modification transparency requirements directly served to drive traffic to the open source incubation page and to inform downstream users of the project, which, the circuit court ruled, was a significant economic goal of the copyright holder that the law would enforce. Through this controlled spread of information, the copyright holder gained 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 learned about the uses for its software and gained others’ knowledge that could be used to advance future software releases.

The circuit court then vacated the district court’s decision and remanded to the district court. It stated that although Katzer/Kamind appeared to have conceded that they had not complied with the conditions of the Artistic License, the district court had not made factual findings on the likelihood of success on the merits in proving that Katzer/Kamind had violated the conditions of the Artistic License. Having determined that the terms of the Artistic License were enforceable copyright conditions, the circuit court remanded to enable the district court to determine whether Jacobsen had demonstrated (1) a likelihood of success on the merits and either a presumption of irreparable harm or a demonstration of irreparable harm; or (2) a fair chance of success on the merits and a clear disparity in the relative hardships and tipping in his favor, thus entitling him to a preliminary injunction.

## CONCLUSION

The *Jacobsen* decision makes clear that copyright holders that engage in open source licensing have the right to control the modification and distribution of copyrighted material. As the Second Circuit explained in *Gilliam v. ABC*,<sup>13</sup> the “unauthorized editing of the underlying work, if

proven, would constitute an infringement of the copyright in that work similar to any other use of a work that exceeded the license granted by the proprietor of the copyright.” Copyright licenses are designed to support the right to exclude; money damages alone do not support or enforce that right. The Federal Circuit’s decision in *Jacobsen* demonstrates that 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, the circuit court recognized, 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.

## NOTES

<sup>1</sup> See <http://creativecommons.org/>.

<sup>2</sup> For example, the GNU General Public License, which is used for the Linux operating system, prohibits downstream users from charging for a license to the software. See, e.g., *Wallace v. IBM Corp.*, 467 F.3d 1104, 1105-06 (7th Cir. 2006).

<sup>3</sup> See *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1200 (11th Cir. 2001) (program creator “derived value from the distribution [under a public license] because he was able to improve his Software based on suggestions sent by end-users.... It is logical that as the Software improved, more end-users used his Software, thereby increasing [the programmer’s] recognition in his profession and the likelihood that the Software would be improved even further.”).

<sup>4</sup> No. 2008-1001 (Fed. Cir. Aug. 13, 2008).

<sup>5</sup> Katzer/Kamind represented that all potentially infringing activities using any of the disputed material had been voluntarily ceased. The district court held that it could not find as a matter of law that Katzer/Kamind’s voluntary termination of allegedly wrongful activity rendered the motion for preliminary injunction moot because it could not find as a matter of law that it was absolutely clear that the alleged behavior could not recur. *Jacobsen v. Katzer*, No. 06-CV-01905 JSW, 2007 WL 2358628 (N.D. Cal. Aug. 17, 2007). The Federal Circuit agreed with the district court that this matter was not moot. See also *Adarand Constructors, Inc. v. Slater*, 528 U.S. 216, 222 (2000)

(“Voluntary cessation of challenged conduct moots a case...only if it is *absolutely* clear that the allegedly wrongful behavior could not reasonably be expected to recur.” (emphasis in original)).

<sup>6</sup> Jacobsen’s copyright registration created the presumption of a valid copyright. *See, e.g., Triad Sys. Corp. v. Se. Exp. Co.*, 64 F.3d 1330, 1335 (9th Cir. 1995).

<sup>7</sup> *See, e.g., Sun Microsystems, Inc., v. Microsoft Corp.*, 188 F.3d 1115, 1121 (9th Cir. 1999); *Graham v. James*, 144 F.3d 229, 236 (2d Cir. 1998).

<sup>8</sup> *See S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1087 (9th Cir.1989).

<sup>9</sup> *See Graham*, 144 F.3d at 236-37 (whether breach of license is actionable as copyright infringement or breach of contract turns on whether provision breached is condition of the license, or mere covenant); *Sun Microsystems*, 188 F.3d at 1121 (following *Graham*; independent covenant does not limit scope of copyright license).

<sup>10</sup> 538 F.2d 14, 20-21 (2d Cir. 1976).

<sup>11</sup> *See, e.g., Diepenbrock v. Luiz*, 159 Cal. 716 (1911) (interpreting a real property lease reciting that when the property was sold, “this lease shall cease and be at an end, *provided that* the party of the first part shall then pay [certain compensation] to the party of the second part”; considering the appellant’s “interesting and ingenious” argument for interpreting this language as creating a mere covenant rather than a condition; and holding that this argument “cannot change the fact that, attributing the usual and ordinary signification to the language of the parties, a *condition* is found in the provision in question”) (emphases added).

<sup>12</sup> Open source licensing restrictions can be distinguished from mere “author attribution” cases. Copyright law does not automatically protect the rights of authors to credit for copyrighted materials. *See Gilliam*, 538 F.2d at 20-21 (“American copyright law, as presently written, does not recognize moral rights or provide a cause of action for their violation, since the law seeks to vindicate the economic, rather than the personal rights of authors.”); *Graham*, 144 F.3d at 236. Whether such rights are protected by a specific license grant depends on the language of the license. *See County of Ventura v. Blackburn*, 362 F.2d 515, 520 (9th Cir. 1966) (copyright infringement found where the county removed copyright notices from maps licensed to it where the license granted the county “the right to obtain duplicate tracings” from photographic negatives that contained copyright notices).

<sup>13</sup> 538 F.2d 14, 21 (2d Cir. 1976).