



## Don't Get Hit By The Train! Breach of an Open Source License Can Result in Copyright Infringement Liability

by Paul Saenz

On August 13, 2008, the U.S. Court of Appeals for the Federal Circuit handed the open source community a major victory by declaring that traditional copyright infringement remedies are available to open source licensors in the event that the conditions of their open source licenses are violated. While the Court of Appeals' decision in *Jacobsen v. Katzer*<sup>1</sup> provides new guidance in the evolving world of open source licensing, the holding is based on long-standing copyright principles – namely, that the violation of a condition, as opposed to a covenant, in a license constitutes copyright infringement and provides the licensor with the full set of copyright infringement remedies available under the Copyright Act.

*Jacobsen* also serves a reminder to licensors and licensees everywhere that the structure and wording of license restrictions can have a significant impact on a licensor's available remedies, and a licensee's potential liability, in the event of a breach of the license.

### **Background**

Robert Jacobsen, a physicist and model train enthusiast, held the copyright to a software application that was developed to help model train hobbyists program decoder chips that control model trains.<sup>2</sup> The software (called DecoderPro) was made available to the public, free of charge, under the terms and conditions of an open source license known as the Artistic License.<sup>3</sup>

Under the Artistic License, users of the DecoderPro software were granted broad rights to copy, modify and distribute the software, provided that they complied with certain conditions including placing copyright notices on copies of the software, properly identifying modifications to the software, and referencing the original source of downloaded software files.<sup>4</sup>

Matthew Katzer and/or Kamind Associates, Inc. (collectively, "KAM") developed and marketed a commercial software product for the model train industry. KAM allegedly used and incorporated certain portions of the DecoderPro software into KAM's commercial software product without complying with the conditions stated in the Artistic License.<sup>5</sup>

### **District Court – Conditions Do Not Limit Scope of Broad, Non-Exclusive License**

Jacobsen brought suit in the U.S. District Court, Northern District of California claiming that, among other things, KAM's use of the DecoderPro software in violation of the conditions stated in the Artistic License constituted copyright infringement. In moving for a preliminary injunction, the plaintiff argued that, due to the copyright infringement by the defendants, irreparable harm could be presumed under Ninth Circuit law, and, thus, the plaintiff was entitled to injunctive relief.<sup>6</sup>

However, the District Court found that no copyright infringement occurred. The District Court reasoned that the "intentionally broad" scope of the non-exclusive license granted to the defendants under the Artistic License was not limited by the conditions of the Artistic License requiring attribution,

---

<sup>1</sup> *Jacobsen v. Katzer*, 535 F.3d 1373 (Fed. Cir. 2008).

<sup>2</sup> *Id.* at 1375-76.

<sup>3</sup> *Id.* at 1376.

<sup>4</sup> *Id.* at 1376,1380.

<sup>5</sup> *Id.* at 1376.

<sup>6</sup> *Jacobsen v. Katzer*, No. C 06-01905 JSW, 2007 WL 2358628, at \*6 (N.D.Cal. Aug. 17, 2007).

identification of modifications, and the like.<sup>7</sup> Rather, the defendants' violation of those conditions gave rise only to a breach of contract claim.<sup>8</sup> Since a breach of contract claim does not create a presumption of irreparable harm, the plaintiff's motion for preliminary injunction was denied.<sup>9</sup> The plaintiff appealed the decision to the Court of Appeals for the Federal Circuit.

### **Court of Appeals – Violation of License Conditions Results in Copyright Infringement**

On appeal, the plaintiff argued that the restrictions contained in the Artistic License served to limit the scope of the license, and, thus, the defendants' use of the software in violation of those restrictions constituted copyright infringement.<sup>10</sup> The defendants argued that the restrictions did not operate to limit the scope of the license and were merely covenants providing contractual terms applicable to the use of the materials.<sup>11</sup> Moreover, the defendants argued that since the DecoderPro software was licensed free of charge, the plaintiff had no economic rights in the software.<sup>12</sup> Relying on the principle that copyright law does not recognize a cause of action for non-economic rights, the defendants argued that their breach of the contractual restrictions were "neither compensable in damages nor subject to injunctive relief."<sup>13</sup>

The Court of Appeals determined that the main point at issue on appeal was whether the restrictions contained in the Artistic License were "conditions of, or merely covenants to, the copyright license" for the DecoderPro software.<sup>14</sup> "Generally, a copyright owner who grants a non-exclusive license to use his copyrighted material waives his right to sue the licensee for copyright infringement and can only sue for breach of contract."<sup>15</sup> However, if "a license is limited in scope and the licensee acts outside the scope, the licensor can bring an action for copyright infringement".<sup>16</sup> While the District Court's opinion did not expressly state whether the limitations in the Artistic License were conditions to the scope of the license or independent covenants, the Court of Appeals concluded that the District Court's findings clearly treated the license limitations as contractual covenants rather than conditions to the license.<sup>17</sup>

The Court of Appeals held that the restrictions in question were clearly *conditions* to the license grant that limited the scope of the license. In its findings, the Court of Appeals focused on the plain language of the Artistic License. For example, the introductory statement of the Artistic License provided that "[t]he intent of this document is to state the conditions under which [the DecoderPro software] may be copied."<sup>18</sup> In addition, the license used "the traditional language of conditions by noting that the rights to copy, modify and distribute are granted 'provided that' the conditions are met."<sup>19</sup> As such, the Court of Appeals concluded that "[i]t is outside the scope of the Artistic License to modify and distribute the copyrighted materials without copyright notices and tracking of modifications from the original computer files."<sup>20</sup>

The Court of Appeals also rejected the defendants' contention that the plaintiff had no economic rights in need of protection by copyright law. While acknowledging that copyright owners traditionally sell or license their copyrighted material in exchange for money, the Court of Appeals observed that the lack

---

<sup>7</sup> *Id.* at \*7.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Jacobsen*, 535 F.3d at 1380.

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* at 1380-81 (citing *Gilliam v. ABC*, 538 F.2d 14, 20-21 (2nd Cir. 1976)).

<sup>14</sup> *Id.* at 1380.

<sup>15</sup> *Id.* (citing *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115 (9th Cir. 1999)).

<sup>16</sup> *Jacobsen*, 535 F.3d at 1380 (citing *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081 (9th Cir. 1989)).

<sup>17</sup> *Id.*

<sup>18</sup> *Id.* at 1381.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.* at 1382.

of money changing hands in the open source licensing context does not mean that there is no economic consideration.<sup>21</sup> The Court of Appeals noted that 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."<sup>22</sup> Such benefits may include increasing market share for open source products, increasing notoriety and reputation of the open source licensor, fostering greater knowledge about the particular open source project, and encouraging further developments to the software.<sup>23</sup>

The Court of Appeals observed that copyright licenses are "designed to support the right to exclude; money damages alone do not support or enforce that right."<sup>24</sup> In light of that basic copyright principle, the Court of Appeals reasoned that "[t]he choice to exact consideration in the form of compliance with the open source requirements . . . rather than a dollar-denominated fee, is entitled to no less legal recognition."<sup>25</sup>

While finding that the restrictions of the Artistic License constituted enforceable copyright conditions, the Court of Appeals remanded the case to the District Court to determine whether the defendants' use of the software had violated those conditions.<sup>26</sup>

### **Ramifications of Decision**

The *Jacobsen* case represents a major victory for open source licensors. Under *Jacobsen*, an open source licensor can seek to exercise the powerful remedies available under the Copyright Act – such as injunctive relief, disgorgement of profits, and imposition of statutory damages<sup>27</sup> - in the event of a licensee's violation of open source license conditions.

In the context of open source, the right of a copyright owner to obtain injunctive relief under the Copyright Act is particularly important in jurisdictions, such as the Ninth Circuit, that follow the prevailing view that irreparable harm is presumed in the event likelihood of infringement can be established.<sup>28</sup> Such a presumption would not be available if the injunction was based on a breach of contract claim alone. The Court of Appeals recognized the importance of this remedy in observing that "because a calculation of damages [in the open source context] is inherently speculative, [the license restrictions typically contained in an open source license] might well be rendered meaningless absent the ability to enforce through injunctive relief."<sup>29</sup>

Also, the availability of disgorgement and statutory damage remedies under the Copyright Act provides open source licensors with a far superior monetary remedy as compared to actual damages under a breach of contract theory since the "free" nature of open source distribution makes establishing actual damages very difficult, if not impossible.

Armed with the full set of Copyright Act remedies, open source licensors (and open source interest groups, such as the Software Freedom Law Center) are likely to be more vigorous in their enforcement of open source licenses. The *Jacobsen* decision should serve as a "wake-up call" to open source licensees, emphasizing the importance of understanding the terms and conditions imposed on

---

<sup>21</sup> *Id.* at 1379.

<sup>22</sup> *Jacobsen*, 535 F.3d at 1379.

<sup>23</sup> *Id.* at 1379, 1381, 1382.

<sup>24</sup> *Id.* at 1381-82.

<sup>25</sup> *Id.* at 1382.

<sup>26</sup> *Id.* at 1382 (noting that, while the defendants appeared to have conceded that they had violated the conditions at issue under the Artistic License, the District Court had failed to make factual findings in its opinion as to such matter).

<sup>27</sup> 17 U.S.C.A. §§ 501–513 (West 2005).

<sup>28</sup> See Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* §14.06[A] (2008) (citing, among others, *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 1254 (3rd Cir. 1983), *Johnson Controls, Inc. v. Phoenix Control Sys., Inc.*, 886 F.2d 1173, 1174 (9th Cir. 1984), and *LGS Architects, Inc. v. Concordia Homes of Nev.*, 434 F.3d 1150, 1155-56 (9th Cir. 2006)).

<sup>29</sup> *Jacobsen*, 535 F.3d at 1382.

their use of open source software. Existing licensee concerns regarding the use of open source software are even more significant now that it is clear a violation of the license conditions will give the open source licensor the full set of remedies available under the Copyright Act.

Finally, while the *Jacobsen* decision is of particular interest to those in the open source community, it also serves as a reminder to licensors and licensees everywhere that the structure and wording of a license grant can have a significant impact on a licensor's available remedies in the event of a licensee's breach. Licensors should consider using terminology such as "provided that," "subject to," and "conditioned upon" when attempting to place restrictions on the scope of a license in order to preserve their rights to seek full copyright infringement remedies in the event those conditions are violated by the licensee. Otherwise, those "restrictions" may be found to be independent covenants for which only breach of contract remedies would be available to the licensor in the event of a violation.<sup>30</sup>

Paul Saenz is a shareholder in the corporate and business law section of Graves Dougherty Hearon and Moody. Paul's practice focuses on technology and commercial transactional matters. Paul may be contacted at 512.480.5757 or [psaenz@gdhm.com](mailto:psaenz@gdhm.com).

---

<sup>30</sup> See *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115 (9th Cir. 1999).