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Copying Of Open Source Software In Violation Of Artistic Licence Was Not Licensed

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Jacobsen v Katzer, No. 2008-1001, US Court of Appeals for the Federal Circuit, 13 August 2008
Conditions contained in an artistic licence for open source software preclude a subsequent user from being licensed if conditions are not followed.

Legal context

The use of open source software has become widespread in the United States and elsewhere. Typically included with open source software are artistic licences which set forth the terms under which the author of the software grants the public the right to use it. At issue in this case was the extent to which failure to comply with conditions and restrictions contained in such an agreement affects a subsequent user's right to use and/or modify the software. In particular, the court had to determine whether the failure to comply with the terms of the Artistic Licence by a subsequent user of the open source software gave rise to a claim either that (i) the user was unlicensed (and thus subject to a charge of copyright infringement) or (ii) the user merely breached the contract (and was thus licensed under copyright but liable for breach of contract). Applying California State Law, the court found that the restrictions contained in this Artistic Licence were 'conditions' of the licence. Thus, the failure to follow the conditions precluded the subsequent user from being licensed. As a result, the Appellate Court found that the District Court erred in denying a motion for a preliminary injunction.

Facts

Jacobsen managed an open software group called Java Model Railroad Interface ('JMRI'). Through the collective work of many participants, JMRI created a computer programming application, DecoderPro, which allowed model railroad enthusiasts to use their computers to program decoder chips which 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. The downloadable files contained copyright notices and referred the user to a 'COPYING' file, containing the terms of the Artistic Licence. It was not disputed that Jacobsen was the holder of a registered copyright for the software.

The Artistic Licence granted subsequent 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

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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.

Katzer/Kamind offered a competing software product, Decoder Commander, which was also used to program decoder chips. They admitted that portions of the DecoderPro software were copied, modified, and distributed as part of the Decoder Commander software. The Decoder Commander did not comply with the terms of the Artistic Licence, because the 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.

The Decoder Commander software also changed computer file names of DecoderPro files without providing a reference to the original JMRI files or information on where to get the Standard Version.

Analysis

Jacobsen brought a suit for copyright infringement against Katzer/Kamind and sought a preliminary injunction to prevent future infringement. The District Court found that:

> Defendants' alleged violation of the conditions of the license may have constituted a breach of the nonexclusive license, but does not create liability for copyright infringement where it would not otherwise exist. Jacobsen v Katzer, No. 06-CV-01905 JSW, 2007 WL 2358628, at *7 (N.D. Cal. Aug. 17, 2007).

Thus, the District Court denied the motion for preliminary injunction, because a breach of contract creates no presumption of irreparable harm.

On appeal, the Federal Circuit reversed and remanded.

As a preliminary matter, the Federal Circuit confirmed it had the right to hear the case. First, the Federal Circuit confirmed that, although Katzer/Kamind had purportedly voluntarily ceased the alleged infringing activity, the motion for preliminary injunction and the cause of action in general were not moot, and should be heard. Further, the Federal Circuit confirmed it had jurisdiction to hear the appeal although the appeal dealt with copyright issues, an area of law not within its exclusive mandate, since the complaint also included a claim for declaratory relief that a patent owned by Katzer was not infringed by Jacobsen.

Having confirmed its authority to hear the case, the Federal Circuit turned to the request for a preliminary injunction. The Federal Circuit, applying the appropriate regional circuit law, confirmed that:

> In determining whether to issue a preliminary injunction, the Ninth Circuit requires demonstration of (1) a combination of probability of success on the merits and the possibility of irreparable harm; or (2) serious questions going to the merits where the balance of hardships tips sharply in the moving party's favor. In cases involving copyright claims, where a copyright holder has shown likelihood of success on the merits of a copyright infringement claim, the Ninth Circuit has held that irreparable harm is presumed. Thus, for a preliminary injunction to issue, Jacobsen must either show (1) a likelihood of success on the merits of his copyright infringement claim from which irreparable harm is

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> presumed; or (2) a fair chance of success on the merits and a clear disparity in the relative hardships that tips sharply in his favor.

In short, the District Court's analysis, and ultimately the Federal Circuit's analysis, turned on whether the violation by Katzer/Kamind of the terms of this Artistic Licence gave rise to a copyright infringement action or merely a breach of contract action. The District Court, finding that it merely gave rise to a breach of contract action, denied the motion for preliminary injunction. The Federal Circuit disagreed and found that, since the conditions included in the Artistic Licence were conditions of the licence granted, and not merely covenants under the relevant state law (California), Katzer/Kamind did not act within the authority of the licence granted and were thus subject to liability under the copyright law. Under the Federal Circuit's analysis, if it were found that the licence terms not met were merely covenants, a cause of action for copyright law would not lie and irreparable harm could not be presumed.

Under the Federal Circuit's analysis of this Artistic Licence, it found that the terms were conditions which, if not followed, would prevent the subsequent user from having authority to copy, modify, or otherwise use the copyright work:

> It is 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 does not assent to these conditions stated in the COPYING file, he is instructed to 'make other arrangements with the Copyright Holder.' Katzer/Kamind did not make any such 'other arrangements'. *The clear language of the Artistic License creates conditions to protect the economic rights at issue in the granting of a public license. These conditions govern the rights to modify and distribute the computer programs and files included in the downloadable software package.*

Thus, the Federal Circuit reversed the District Court's decision denying the motion for preliminary injunction, remanding the case to the District Court to complete its analysis and

> to determine whether Jacobsen has 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.

However, in this regard the Federal Circuit reminded the District Court that '[a]t oral argument, the parties admitted that there might be no way to calculate any monetary damages under a contract theory'.

Practical significance

The role of open source software in today's world economy is clear. As the Federal Circuit recognized,

> [o]pen 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 few decades ago.

This decision confirms that the licensing scheme set up by open source licensing, and artistic licences, can be written in such a manner as to protect the integrity of the original work and avoid inappropriate copying, yet allow public access and use in permitted manners. While in some respect, the holding in Jacobsen is limited in that it was based on California State Law, it nonetheless provides useful guidelines to the open source community on how to draft artistic licences so as to allow the public to use open source software in only a manner that the author deems appropriate.

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