Jacobsen v Katzer and Kamind Associates – an English legal perspective

Mark Henley[a]

(a) Director at Wragge & Co. LLP.

Abstract

In this article Mark Henley examines, from an English lawyer's perspective, the decision of the US Court of Appeals for the Federal Circuit in the case of Jacobsen v Katzer and Kamind Associates. He also considers some of the implications of the Court's findings for the Free and Open Source Software communities.

Keywords

Contract law, Copyright law, Licensing, Jacobsen v Katzer and Kamind Associates, Jacobsen, Ninth Circuit, Free and Open Source Software, Free Software, Open Source Software, England and Wales

In The Canterville Ghost, Oscar Wilde wrote: "We have really everything in common with America nowadays except, of course, language." It is quite possible that the analytical techniques of English and American lawyers were not uppermost in his mind when he composed that famous line but, on the evidence of *Jacobsen v Katzer and Kamind Associates*[1], it remains surprisingly accurate; there appears to be a distinct difference between how lawyers on each side of the Pond would approach the interpretation of the same, relatively simple, FOSS licence.

Court judgements which look at FOSS licences in detail are extremely rare and there is a complete absence of case law for England & Wales. When cases arise they pique the interest of the international FOSS community, even if the decisions do not directly establish a binding precedent. Being set, furthermore, in the glamorous world of the model railway enthusiast, the Jacobsen case was always destined to receive widespread attention.

In England, similar to the Ninth Circuit, interim injunctive relief is commonly granted in copyright infringement cases and is relatively unusual in plain contract cases. The outcome of the *Jacobsen* appeal did not surprise English lawyers. Interim injunctive relief would most likely have been available here in similar circumstances to prevent a licensee from using FOSS without observing the terms of the relevant copyright licence.

However the confusion begins when the fundamental issue for the Court of Appeals is whether Prof. Jacobsen's claim should have been brought as a contract dispute or for copyright infringement. For English lawyers, the option of bringing a claim as a contract dispute will only be available where all of the requirements for formation of a contract are met.

Under English and US legal systems a licence may or may not be contractual; if non-contractual, it is known as a "bare licence." A simple example of a bare licence would be a cinema owner's

1 For the background to this case and a commentary from a US legal perspective, please see Lawrence Rosen's IFOSS L. Rev. article "Bad Facts Make Good Law: The Jacobsen Case and Open Source" at http://www.ifosslr.org/index.php/ifosslr/article/view/5

permission for you to enter the foyer of the cinema to enquire about the start time of the new John Grisham movie and to stand in line for the box office. There is no exchange of promises at that point, no consideration given. If you go on to buy a ticket, then at the moment of purchase you will be upgraded to a contractual licence permitting you to enter the auditorium and watch your legal thriller. The licence becomes an ancillary provision of the contract for watching the movie.
An English court would not assume that a copyright licence was contractual. It would seek initially to establish the existence of a contract by looking for the required elements of offer, acceptance, consideration and an intention to create legal relations. The differences between a contractual and a bare licence are, for the following reasons, too significant for this preliminary test to be overlooked.

First, the terms of a contractual licence may be enforced against both licensor and licensee. In contrast, under a bare licence, the licensee cannot bring a claim against the licensor.

Second, when interpreting a contract, a court will look beyond the literal meaning of the words and seek to ascertain the objective intentions of both parties. It may also imply or disallow terms in certain circumstances to give effect to public policy.

Third, a contractual licence may be terminated only in accordance with the terms of the contract under which it was acquired. A bare licence may be revoked at the licensor's will or perhaps on giving the licensee reasonable notice (although estoppel arguments may assist a licensee who has relied on the licence to his or her detriment).

Fourth, the governing law may differ between a bare and a contractual licence. In the UK, the governing law for a contract dispute is determined by the Rome Convention on the Law Applicable to Contractual Obligations[2]. However, for a non-contractual dispute it will be determined by the Rome II Regulation[3] or another statute of Private International Law.

Finally, if a licence is a contract then it is possible that the remedy of specific performance might be granted by a court in the event that its terms are broken. Specific performance is an order that someone will do what he or she has promised to do and, for the courts of England & Wales, it is a discretionary remedy that will only be granted if damages are not an adequate remedy. For a FOSS licence like the GNU GPL (the most popular licence for FOSS projects at the time of writing), specific performance of the obligation to disclose source code would be an extremely powerful remedy for the licensor.

Returning to the *Jacobsen* case, the Court of Appeals applied the principle that whether breach of licence is actionable as copyright infringement or breach of contract turns on whether the provision breached is a condition of the licence, or a mere covenant.[4] In doing so the judges appeared to presume that the Artistic License was a contract; how else could a breach of one of its covenants amount to a breach of contract?[5] They even acknowledged that consideration, a critical

2 CONVENTION ON THE LAW APPLICABLE TO CONTRACTUAL OBLIGATIONS opened for signature in Rome on 19 June 1980 (80/934/EEC), http://www.rome-convention.org/instruments/i_conv_orig_en.htm

3 REGULATION (EC) No 864/2007 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 July 2007 on the law applicable to non-contractual obligations, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:199:0040:0049:EN:PDF

4 For an explanation of the distinction drawn by the Court between conditions and covenants see Lawrence Rosen's article "Bad Facts Make Good Law: The *Jacobsen* Case and Open Source", ibid.

5 One theory might be that the Court of Appeals has adopted contract law language and contract law analytical tools to resolve a dispute that they believe is not, in fact, contractual. That seems unlikely given that the Court cites the principle in *Graham v James*, 144 F.3d 229 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") as sitting at the heart of the argument. The Court appeared to believe that breaches of the Artistic License could be actual breaches of contract, not that they merely ought to be treated **like** breaches of contract. It is also difficult to see

component for contract formation, may be present, finding 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."

Some commentators[6] have similarly sought to characterise the GPL as a contract. On one view the GPL starts out as a "unilateral contract" – an offer made to the world by the author to use his/her software in compliance with certain conditions – where the normal requirement for communication of acceptance is waived by the licensor. That offer can be accepted by conduct and a standard bilateral contract will result. Section 0 of GPL v2 states that "The act of running the Program is not restricted…" but at section 5 provides that "by modifying or distributing the Program (or any work based upon the Program), you indicate your acceptance of this License to do so…."[7] This wording appears consistent with the idea that the GPL starts out as a bare licence for the purpose of running the Program, but is converted into a bilateral contract if modification or distribution takes place.

However, some of the most influential lawyers in the FOSS community take the view that the GPL is not a contract at all. Eben Moglen, former GC of the Free Software Foundation has observed[8], "The GPL is a very simple form of copyright license, as compared to other current standards in the software industry, because it involves no contractual obligations." Pamela Jones of Groklaw,[9] Daniel Ravicher of the Software Freedom Law Center[10] and Lawrence Rosen, former GC of the Open Source Initiative[11], appear to take similar positions. Such an approach makes good sense if you are encouraging uptake of a one-to-many free licensing model. A bare licence will insulate FOSS developers from the claims that could potentially be brought by thousands of dissatisfied licensees and from the unpredictable consequences that can sometimes ensue when judges attempt to give effect to the intentions of two or more parties.

Given that the GPL is even more consistent with the language of contractual rights and obligations than the Artistic License, it is reasonable to suppose that the courts of the Ninth Circuit will also characterise the GPL and perhaps other FOSS licences as contracts. Much will, of course, depend on the cases that follow *Jacobsen*, and perhaps that decision will be distinguished on the basis of the particular wording of the Artistic License.

If *Jacobsen* were heard before the courts of England & Wales, there would be every likelihood that no contract would be found and the Artistic License would be considered a bare licence. Breach of its terms might take the licensee outside the scope of the licence or alternatively might entitle the licensor to revoke the licence even without providing reasonable notice. Either way, interim injunctive relief might be available to prevent further "unauthorised" use by the licensee pending trial.

If, on the other hand, the Artistic License was found to be a contract, the courts of England & Wales would probably take a similar approach to that in *Jacobsen*, considering whether there had been breach of a condition or of a less critical term. If a condition was breached then that might

why, as a matter of principle, contract law analytical tools, focused as they are on a notional meeting of minds, should be applied to determine the scope of a unilateral bare licence.

6 Jason B. Wacha, Taking the Case: Is the GPL Enforceable?, 21 Santa Clara Computer & High Tech. L.J. 451 at 456 (2005); Robert W. Gomulkiewicz, De-bugging Open Source Software Licensing, 64 U. Pitt. L. Rev. 75 at 83 (2002).

7 A similar provision appears in section 9 of GPL v3.

8 http://www.gnu.org/press/mysql-affidavit.html

9 http://www.groklaw.net/article.php?story=20031214210634851

10 http://radio.weblogs.com/0120124/2003/07/23.html

11 Lawrence Rosen, Open Source Licensing: Software Freedom and Intellectual Property Law (2005) at pp. 65, 138 and 139. Note, however, that page 140 and http://www.rosenlaw.com/lj20.htm clarify that Rosen sees the GPL as an exceptional case and believes most other FOSS licences to be contractual.

take the licensee's use of the FOSS outside the scope of the licence entirely. Alternatively, breach of a condition might entitle the licensor to consider the contract repudiated by the licensee and, if that repudiation was accepted by the licensor, the contract would terminate and the copyright licence along with it. In any event, as with a bare licence, use of the software in breach of the licence conditions might still constitute copyright infringement and interim injunctive relief again might be available to prevent use from continuing, pending trial.

So the *Jacobsen* case presents a win for the FOSS community in that interim injunctive relief is, in principle, available to stop licensees from disregarding the terms of FOSS licences. However the sting in the tail – that the Artistic Licence is a contract and that the courts of the Ninth Circuit may be expected to treat the GPL and even relatively permissive open source licences the same way – could turn out to have a chilling effect on the FOSS movement in the longer term if, as discussed above, the result is that FOSS developers become exposed to claims brought by dissatisfied licensees.

About the author

Mark Henley *is a Director at Wragge & Co. LLP, a major UK law firm providing a full range of legal services to businesses worldwide. He can be reached at mark_henley@wragge.com.*