Legally Speaking -- The Legality of Open Source Part II: Jacobsen v. Katzer

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The development of the “Copyleft” and open source movement has thrown copyright law for a loop. There have been some questions about the legality of open source products, including those that use the GNU General Public License. However, two recent cases have affirmed the legality of the open source movement. In part I, I discussed the case of Wallace v. IBM, a 2006 case in which the 7th Circuit Court of Appeals found that the GNU General Public License was not a violation of antitrust law. However, that did not completely settle the copyright and copyleft question. This month’s column will discuss the 2008 case of Jacobsen v. Katzer, which was (unusually) decided by the Court of Appeals for the Federal Circuit.

Jacobsen v. Katzer sought to determine whether a copyright holder can have his/her cake and eat it too. The key issue of this case was whether authors who use the alternative system are still covered by copyright, or whether they have really given up all rights to their work. In other words, have they inadvertently placed their work in the public domain? In August 2008, we received an answer to this question from the Court of Appeals for the Federal Circuit.

The Origins of Jacobsen v. Katzer

This case concerned software for model train hobbyists. Robert Jacobsen is a software designer in California. He created software to program chips for model trains, which was distributed under the Artistic license. Jacobsen’s license specifically indicated that future “downstream” modifications must themselves be subject to the same Artistic license terms as the original. However, KAM Industries modified the software and began to sell it commercially under the exclusive rights of copyright. Because the software involved the programming of chips which ran trains, KAM also obtained a utility patent for the mechanical portion of their product.

Jacobsen filed a lawsuit in Federal court in the Northern District of California for violation of copyright and breach of contract. He also sought a declaratory judgment that KAM’s patent was invalid. In addition, the plaintiff requested a preliminary injunction to stop KAM from distributing their software. While agreeing that Jacobsen had a valid claim under contract law, the District Court ruled that the language of the Artistic license was so broad as to be unenforceable under copyright law. This was a major blow for Jacobsen because of the rules regarding preliminary injunctions.

Standards for Preliminary Injunctions

An injunction is an equitable court order that commands a party “to do or to abstain from doing a particular action. The purpose ... is to preclude the occurrence of a threatened wrong or injury as well as to prevent future violations.” This can take the form of a temporary restraining order (TRO), a preliminary injunction, or a permanent injunction. A TRO is “a temporary order of a court to keep conditions as they are (like not taking a child out of the county or not selling marital property) until there can be a hearing in which both parties are present.” Once both parties are present, the court may issue a preliminary injunction. After final disposition of the case, the judge may then order a permanent injunction. In intellectual property cases, injunctions usually take the form of prohibiting the infringing party from continuing their infringement. Because a preliminary injunction is issued before final disposition, courts must weigh carefully the costs and benefits of using this remedy. Courts typically use the following test for whether to issue a preliminary injunction:

1. Whether the plaintiff will probably succeed on the merits;
2. Whether irreparable harm to the plaintiff would result if the injunction is not granted;
3. The balance of harms between the plaintiff and defendant if the injunction is allowed; and
4. Whether the injunction will have an impact on the public interest.

While preliminary injunctions are heavily used in intellectual property cases, they are not appropriate for breach of contract claims. The appropriate remedy for breaching a contract is payment of monetary damages. There is no presumption of irreparable harm in contract law. Thus, the district court’s decision precluding Jacobsen’s copyright claim meant that he was not entitled to obtain a preliminary injunction.

Why This Court?

One of the most unusual features of the Jacobsen case was the court that heard the appeal. The Court of Appeals for the Federal Circuit was created in 1982 when Congress merged the Court of Customs and Patent App... continued on page 60

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peals with the appellate division of the U.S. Court of Claims. This nationwide appellate court has jurisdiction over cases involving international trade, patents, trademarks, and appeals of some administrative agencies, as well as claims of monetary damage against the Federal government. However, the appellate jurisdiction of the court is also limited to only those specific types of cases. Since copyright is not one of the areas of law that are specifically assigned to the Federal Circuit, the only copyright cases they hear are ones which arise under patent or trademark law. Otherwise, the court does not have proper appellate jurisdiction and can’t hear the case.

The only reason why the Court of Appeals for the Federal Circuit was able to hear the Jacobsen case was because of his declaratory judgment action to declare KAM’s patent invalid. As a result, the case arose under patent law, and the Federal Circuit ruled that it had jurisdiction to hear the case. While somewhat controversial, the Federal Circuit’s ruling is based on both case law and the original statute enabling the court.

The Ruling of the Court
As with any other type of intellectual property, copyright may be licensed. This can be done through exclusive or nonexclusive licenses. When a copyright owner grants a nonexclusive license, he or she waives the ability to sue for copyright infringement. After all, the user is covered by a license. Under those circumstances, it makes sense that the court had jurisdiction to hear the case. While somewhat controversial, the Federal Circuit’s ruling is based on both case law and the original statute enabling the court.

4. The court began its analysis by reviewing the plain words of the Artistic license: “The intent of this document is to state the conditions under which a Package may be copied.” (Emphasis added by court.) The opinion also noted other ways in which the terminology of the Artistic license is in accordance with conditional language: “The Artistic license also uses the traditional language of conditions by noting that the rights to copy, modify, and distribute are granted ‘provided that’ they are satisfied. Under California copyright law, ‘provided that’ typically denotes a condition.” The plain language on the face of the document therefore appears to state conditions. “Copyright licenses are designed to support the right to exclude; money damages alone do not support or enforce that right.” The opinion goes on to state:

In this case, a user who downloads the JMRI copyrighted materials is authorized to make modifications and to distribute the materials “provided that” the user follows the restrictive terms of the Artistic license. A copyright holder can grant the right to make certain modifications, yet retain his right to prevent other modifications. Indeed, such a goal is exactly the purpose of adding conditions to a license grant. The Artistic license, like many other common copyright licenses, requires that any copies that are distributed contain the copyright notices and the COPYING file. 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 court therefore ruled that the Artistic license constitutes a condition of the grant of rights. “Copyright holders who engage in open source licensing have the right to control the modification and distribution of copyrighted material.” This is not a mere contract term; this language is part and parcel of the conditions for licensing use of the material.

The precedential value of this opinion is that a creator who uses an open source license does not give up his or her rights to the material. Katzer had argued that Jacobsen had donated his work to the public domain when he gave it away without charging. However, the court agreed with Jacobsen that he had in fact granted a conditional license, just as any copyright holder may do. Any use that is beyond the conditions listed in the license (such as selling the work for profit) is outside the scope of the granted rights. Therefore, using an open source license does not invalidate the underlying copyright, and not abiding by the stated terms will constitute copyright infringement.

The Court of Appeals for the Federal Circuit is an unusual place for a major copyright decision. However, because there was a patent claim involved, the court had proper jurisdiction to hear the case. Those who support the copyleft and open source movement can take heart that this strongly-worded decision. In the first scholarly article to analyze this recent case, law professor Brian Fitzgerald and his co-author Rami Olwan sum up the situation as follows:

This is a landmark decision because it confirms that free and open source software copyright licences [sic] and by analogy open content licences that are similar in style to the Artistic licence are:

1) copyright licences;
2) which impose licence conditions which if not satisfied can find an action in and the grant of remedies for copyright infringement; and
3) are legally enforceable.

This in turn provides individuals, businesses, universities and governments that use these types of licences to distribute and acquire code and content with a greater degree of confidence in their legality.