The Law and Politics of Open Source

KMDI – University of Toronto
May 9 – 11, 2004

Barry B. Sookman
May 11, 2004

Some Themes

- Canadian law has some important contributions to make to the theoretical framework that supports open source principles.
- Open source models raise many unanswered questions.
- Certain open source licenses don't work as intended in Canada and elsewhere outside the U.S. because of differences between U.S., Canadian and other foreign law.
- Open source law is at its infancy and will have many growing pains.
- Commercialization of open source software has its challenges

Overview of Topics

- Philosophical frameworks underlying proprietary and open source licensing
- Conceptual and legal problems with open source licenses and licensing models
- Practical considerations

Philosophical Frameworks Underlying Proprietary and Open Source Licensing

U.S. Philosophical Framework

In the U.S. the power to enact laws related copyright is contained in the Constitution. Art. I, 8, cl. 8. of the U.S. Constitution states that "Congress shall have Power. ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries".

U.S. Philosophical Framework

"The U.S. Supreme Court has held that the primary objective of copyright is to promote the Progress of Science. The "constitutional command", is that Congress, to the extent it enacts copyright laws at all, create a system that promotes the Progress of Science." *Eldred v. Ashcroft*, 65 U.S.P.Q. 2d 1225 (U.S. Sup. Ct. 2003).

U.S. Philosophical Framework

"The primary objective of copyright is not to reward the labor of authors, but to promote the Progress of Science and useful Arts. To this end, copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work." *Feist Publications, Inc. v. Rural Telephone Service Co*., 499 U.S. 340 (1991).

U.S. Copyright Framework

- Achieves balance by providing authors with a series of *exclusive* rights to control what is done with works including software e.g., copy, distribute, create derivative works, display, perform in public.
- Has broad *exemption* which protects “fair uses” e.g, reverse engineering of computer programs.
- Has other doctrines which promote policy that favors dissemination of information to the public e.g., pre-emption and misuse doctrines.
- Generally enforces licenses which can promote or fetter uses of works.

Canadian Philosophical Framework (Historical)

- Canadian law was historically not concerned with creating a “commons” or promoting dissemination of works.
- The *Copyright Act* “was passed with a single object, namely, the benefit of authors of all kinds”; *Bishop v. Stevens* [1990] 2 S.C.R. 467 per Justice McLachlin
- The purpose of copyright is to prevent persons from “unfairly availing themselves of the work of others” and that the “protection of authors is the object to be attained by all copyright laws.” *Vigneux v. Canadian Performing Rights Society*, [1943] S.C.R. 348, rev’d [1945] A.C. 108 (P.C.) per Justice Duff

Canadian Philosophical Framework (Historical)

- "The moral basis of copyright rests on the 8th commandment 'Thou shalt not steal'". *MacMillan & Co. Ltd. v. Cooper* (1923), 40 T.L.R. 186 (P.C.) per Lord Atkinson

Canadian Philosophical Framework (Historical)

- Consequences of traditional view
- Test for originality in a work “the “rough practical test” [for determining originality] is “what is worth copying is prima facie worth protecting.” *University of London Press Ltd. v. University Tutorial Press Ltd.*, [1916] 2 Ch. 601 at 610 (Ch.D.) per Peterson J.
- Test for infringement can infringe by “unfair” coping.

New Canadian Philosophical Framework

"The *Copyright Act* is usually presented as a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator (or, more accurately, to prevent someone other than the creator from appropriating whatever benefits may be generated)." *Théberge v. Galerie d'Art du Petit Champlain inc.* (2002), 17 C.P.R. (4th) 161 (S.C.C.)

New Canadian Philosophical Framework

- New framework recognizes the importance of a "commons".
- "The proper balance among these and other public policy objectives lies not only in recognizing the creator's rights but in giving due weight to their limited nature. In crassly economic terms it would be as inefficient to overcompensate artists and authors for the right of reproduction as it would be self-defeating to undercompensate them." *Théberge v. Galerie d'Art du Petit Champlain inc.* (2002), 17 C.P.R. (4th) 161 (S.C.C.)

New Canadian Philosophical Framework

"Excessive control by holders of copyrights and other forms of intellectual property may unduly limit the ability of the public domain to incorporate and embellish creative innovation in the long-term interests of society as a whole, or create practical obstacles to proper utilization. This is reflected in the exceptions to copyright infringement enumerated in ss. 29 to 32.2, which seek to protect the public domain in traditional ways such as fair dealing for the purpose of criticism or review…." *Théberge v. Galerie d'Art du Petit Champlain inc.* (2002), 17 C.P.R. (4th) 161 (S.C.C.)

New Canadian Philosophical Framework applied in CCH v Law Society Case

- Court applied new principles to concept of originality.
- "When courts adopt a standard of originality requiring only that something be more than a mere copy or that someone simply show industriousness to ground copyright in a work, they tip the scale in favour of the author's or creator's rights, at the loss of society's interest in maintaining a robust public domain that could help foster future creative innovation.."
- "The 'sweat of the brow' approach to originality is too low a standard. It shifts the balance of copyright protection too far in favour of the owner's rights, and fails to allow copyright to protect the public's interest in maximizing the production and dissemination of intellectual works." *CCH Canadian Ltd v. Law Society of Upper Canada*, 2004 SCC 13.

New Canadian Philosophical Framework and User Rights

»Court applied new principles to concept of fair dealing.

"…the fair dealing exception is perhaps more properly understood as an integral part of the *Copyright Act* than simply a defence. Any act falling within the fair dealing exception will not be an infringement of copyright. *The fair dealing exception, like other exceptions in the Copyright Act, is a user's right.* In order to maintain the proper balance between the rights of a copyright owner and users' interests, it must not be interpreted restrictively. As Professor Vaver, *supra*, has explained, at p. 171: 'User rights are not just loopholes.'" *CCH Canadian Ltd v. Law Society of Upper Canada*, 2004 SCC 13.

Canadian Copyright Framework

- Provides robust framework to support open source.
- Provides owners with a series of *exclusive* rights that are not identical to U.S. rights e.g., no express right to distribute copies, display, create derivative works.
- Has exemption which protects “fair dealings” for specific purposes only.
- Does not have pre-emption or misuse doctrines.
- Generally enforces licenses which can promote or fetter uses of works.

Summary of Frameworks

- Canada and U.S. law support proprietary rights licensing model based on “exclusion”. Owners rights are enforced through a combination of license restrictions and rights to sue for copyright infringement if scope of license is exceeded.
- Open source models are supported. There is a freedom to exercise exclusive rights conferred by copyright and right to contract to enforce open source model.

Conceptual and Legal Problems with Open Source Licenses and Licensing Models

Framework for Assessing Open Source Licensing

- Open source is an experiment in social organization around a concept of intellectual property rights that is intended to expand not contract the “commons”.
- Open source model inverts use of excusive rights by imposing terms intending to maximize the ongoing use, growth, development and distribution of free software.
- Open source licenses are practical manifestation of a social structure- a core statement of the social structure that defines the community.
- What is the proper standard of review, manifesto, constitution, social contract, legal document?

Do the means justify the ends?

- A main goal is to promote freedom to access, study, copy, and redistribute code.
- GPL impinges on freedoms in the name of freedom e.g.,
  - reciprocity (copyleft) obligations
  - no recognition for transformative “proprietary” “fair uses”
- Open source philosophy is maximized if there is strong rather than weak protection for open source software, no open source software is in the public domain, and thin fair use rights as these remove materials from the public domain. Would the goals of open source ever justify arguing for weaker public domain?

Is the GPL a Copyright Misuse?

- In the U.S. the defense of copyright misuse "forbids the use of the copyright to secure an exclusive right or limited monopoly not granted by the Copyright Office." *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990), *DSC Communications Corporation v. DGI Technologies, Inc.*, 38 U.S.P.Q. 2d 1699 (5th Cir. 1996).
- The GPL is not time limited and imposes restrictions on use of copyright works after they have fallen into public domain.
- The GPL arguably applies to works that are "derived from the Program", even if not a true derivative work e.g., no expression of the Program is reproduced so impinges on freedom to use unprotectable ideas. (s2(b))
- Uses copyright in owned work to influence means by which another work is distributed.
- OSI OSD does not impose this requirement: "The license must not place restrictions on other software that is distributed along with the licensed software. For example, the license must not insist that all other programs distributed on the same medium must be open-source software."

Effect on Moral Rights

- The Canadian Copyright Act grants authors the right to “the integrity of the work”.
- The right is infringed if the work, to the prejudice of the honour or reputation of the author, is distorted, mutilated, or otherwise modified.
- The GPL implicitly forces authors to waive this moral right by licensing others to make any changes regardless of how those changes could affect the honour or reputation of the original author.
- OSI OSD mitigates problem because “The license may require derived works to carry a different name or version number from the original software.”

Effect on Moral Rights

- The right to the integrity of a work is also infringed if the work, to the prejudice of the honour or reputation of the author, is used in association with a product, service, cause or institution.
- Open source licenses implicitly forces authors to waive this moral right by licensing others to make any changes regardless of how those changes will be used.
- The OSI OSD prevents (1) discrimination against fields of endeavor, (2) discrimination against persons or groups, and (3) restrictions on other software that is distributed along with the licensed software.

Effect on Moral Rights

- The Copyright Act grants authors the right where reasonable in the circumstances, “to be associated with the work as its author by name or under a pseudonym and the right to remain anonymous”.
- Open source licenses implicitly forces authors to waive this moral right.
- The GPL requires a prominent notice on modified files disclosing the identity of the author of the modifications.
- OSI OSD states “… users have a right to know who is responsible for the software they are using”.

What Law is Used to Construe the Licenses?

- GPL has no choice of law clause.
- Under Canadian law the contract will be governed by that system of law with which the transaction had its most substantial and real connection. *Imperial Life Assurance Co. v. Colmenares*, [1967] S.C.R. 443.
- Open source suite of programs may have thousands of licenses associated with it from authors all over the world.
- What law governs each license e.g construction of terms, warranties, exclusions.

Are the Licenses Enforceable?

- Generally, licenses use “browse wrap” or “shrink wrap” approach to licensing. See, *Specht v. Netscape Communications Corp.*, 306 F.3d 17 (2d Cir. 2002)
- GPL Par 5 “by modifying or distributing the Program (or any work based on the Program), you indicate your acceptance of this License”.
- Compare GPL Par 6 “Each time you redistribute the Program (or any work based on the Program), the recipient automatically receives a license from the original licensor to copy, distribute or modify the Program subject to these terms and conditions.”
- Are there two classes of GPL licensees?
- GPL was enforced in Germany in *netfilers/iptables v sitecom.* See also, *Progress Software Corp v MySQL AB* 2002 U.S. Dist. LEXIS 5757.
- Are the licenses enforceable in Quebec?

Scope of License Grant

- GPL-applies to copying, distribution and modifications.
- GPL does not expressly include right to display, perform, or communicate to the public, which are especially important for graphical works and works used over the Internet. (See Apache License).
- BSD permits redistribution, but does not expressly grant any other rights.

Can the Licenses be Relied Upon?

- Licenses are often not irrevocable.
- Unless the parties have agreed otherwise, a licence is determinable by the licensor at his pleasure. See, *Avtec Systems, Inc. v. Peiffer*, 30 U.S.P.Q.2d 1365 (4th Cir. 1994) (Implied license to use software revocable absent consideration.), T*rumpet Software Pty Ltd. v. OzEmail Pty Ltd.* (1996), 34 I.P.R. 481 (Aust. Fed. Ct.) (Shareware licence revocable on giving notice).
- Where the licence has been acted upon by the licensee to the detriment of the licensee, there may be an estoppel against the licensor preventing the revocation of the licence, either at all or otherwise than upon notice. *Computermate Products (Aust.) Pty Ltd. v. Ozi-Soft Pty Ltd.* (1998), 12 I.P.R. 487.
- Is there room for opportunists?
- *Bankruptcy and Insolvency Act* and *Companies' Creditors' Arrangement Act* proceedings?

Can the Licenses be Relied Upon?

- GPL-All copies must be distributed with a disclaimer of warranty. Software is provided “as is”.
- Rationale for “fitness” and quality disclaimers.
- Is the social contract complete? Should copyright holders warrant that their contributions are “original”, do not infringe third party copyrights or contractual rights, do not incorporate code with incompatible license regime etc to prevent “viral infringements”?
- See, CUA Office Public License requiring notice be given if a 3rd party right is needed.

Are the Warranty Disclaimers Enforceable in Canada?

- GPL disclaims warranties but not conditions of fitness for purpose and merchantability.
- GPL does not exclude the implied condition as to title or of quiet possession which applies if software is a "good". See, Ontario Sale of Goods Act, R.S.O. 1980, c.462, s.13(*a*) and (b).
- Does also not expressly exclude an implied warranty with respect to infringements of intellectual property rights. See, *Microbeads A.G. v. Vinhursy Road Markings Ltd.*, [1975] 1 All E.R. 529 (C.A.).
- Does not exclude UN Convention on Contracts for the International Sale of Goods.
- See Apache 2. license for better example.

Are the Limitation of Liability Disclaimers Enforceable in Canada?

- GPL limits liability for “DAMAGES, INCLUDING ANY GENERAL, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES ARISING OUT OF THE USE OR INABILITY TO USE THE PROGRAM”.
- Disclaimer does not cover any and all types of claims however arising.
- Contrast Apache 2 license.

When Can Open Source Contributor be Sued in Canada?

- "Modern ideas of order and fairness require that a court must have reasonable grounds for assuming jurisdiction where the participants to the litigation are connected to multiple jurisdictions." *Beals v. Saldanha*, 2003 SCC 72
- Jurisdiction can be assumed if there is a real and substantial connection between
  - (1) the defendant and the forum province of a kind which makes it reasonable to infer that he or she had voluntarily submitted himself or herself to the risk of litigation in its courts (general jurisdiction), or
  - (2) the adjudicating forum and the subject matter of the action (specific jurisdiction). *Morguard Investments Ltd*. [1993] 4 S.C.R. 289, *Beal v. Saldanha,* 2003 SCC 72.

When Can Open Source Contributor be Sued in the U.S.?

- Crucial federal constitutional inquiry is whether the non-resident defendant has sufficient contacts with the forum state that the district court's exercise of jurisdiction would comport with "traditional notions of fair play and substantial justice". *International Shoe Co. v. Washington*, 326 U.S. 310.
- The defendant's conduct and connection with the forum state must be such that the defendant should reasonably anticipate being haled into court there. *World-Wide Volkswagon Corp. v. Woodson*, 444 U.S. 286.

When Can Open Source Contributor be Sued in the U.S.?

- The defendant must purposely avail himself of the privilege of acting in the forum state or causing a consequence in the forum state.
- The cause of action must arise from the defendant's activities there.
- The acts of the defendant or consequences caused by the defendant must have a substantial enough connection with the foreign to make the exercise of jurisdiction over the defendant reasonable. *CompuServe, Inc. v. Patterson*, 39 U.S.P.Q. (2d) 1502 (6th Cir. 1996).

When Can Open Source Contributor be Sued in the U.S.?

Effects test: (1) the defendant committed an intentional tort; (2) the plaintiff felt the brunt of the harm in the forum such that the forum can be said to the focal point of the harm suffered by the plaintiff as a result of that tort; and (3) the defendant expressly aimed his tortuous conduct at the forum such that the forum can be said to be the focal point of the tortuous activity. *Calder v Jones* 465 U.S. 783 (1984), *Pavlovich v. Superior Court* 65 USPQ2d 1422 (Sup.Ct.Cal.,2002.)

Distributor Liability

- Practicalities of performing diligence on title or non-infringement.
- Domestic (Canadian) distributor may be liable to third party rights holders for direct infringement in any foreign countries e.g., US, into which copies are uploaded or distributed. See, G.B *Marketing U.S.A. Inc. v. Gerolsteiner Brunnen GmbH & Co*., 21 U.S.P.Q. 2d 1982 (W.D.N.Y. 1991)
- Liability for contributory infringement occurring in Canada for acts of copying or distribution occurring in the U.S. *Armstrong v. Virgin Records Ltd.*, 54 U.S.P.Q. 2d 1539 (S.D.N.Y. 2000)
- Can be liable for worldwide profits made outside of the U.S. that result from acts that are permitted or initiated by predicate acts of infringement within the United States. *L.A. News Serv. v. Reuters Television Int'l, Ltd. (Reuters IV)* (9th Cir. Oct.7, 2003)

Standing in Open Source Claims

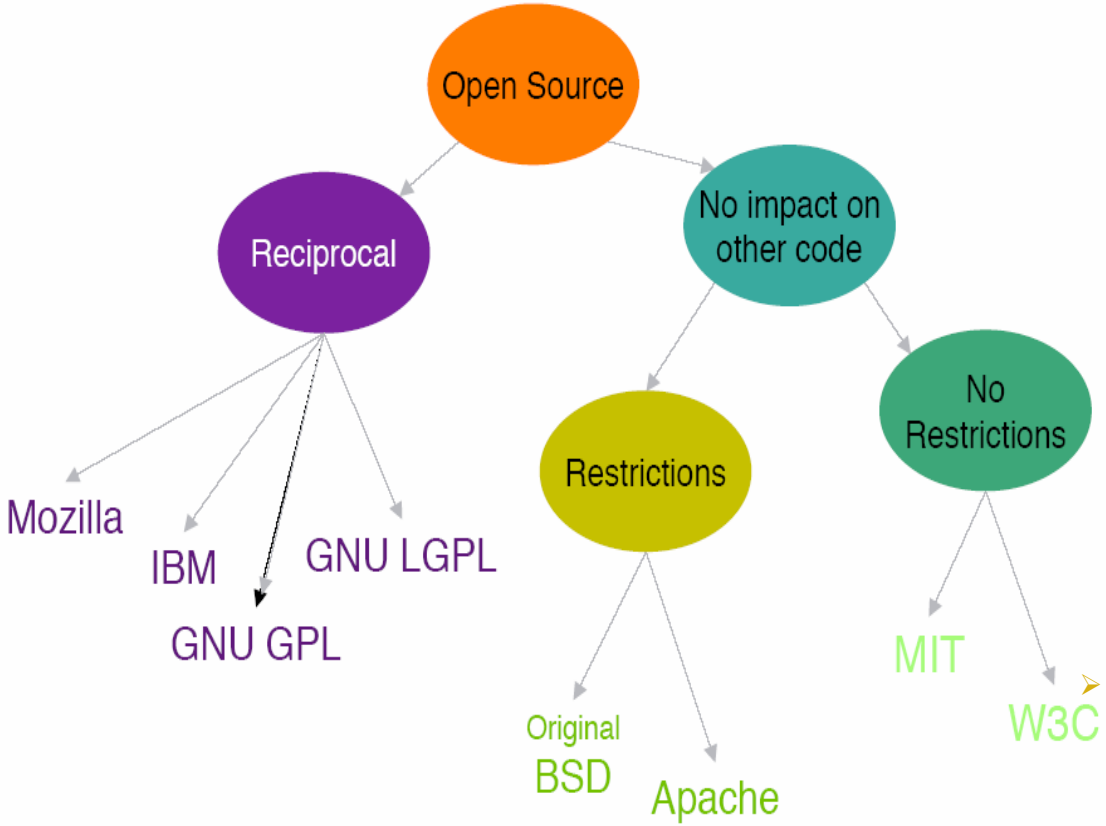
- Which parties have standing to enforce contract claims?
- Which parties have standing in copyright claims? Must all copyright owners be joined in Canada (s36)?
- How would damages be apportioned?
- How would statutory damages be awarded where there are multiple owners and multiple works (s38.1)?

Some Practical Considerations

Selecting the Right Licenses

- The use of software under an open source or free software licensing model usually implies a series of rights and duties.
- These rights and duties can sometimes be difficult for the parties involved in a project to grasp and this can limit the use of free software e.g., variations in the reciprocal obligations, and when these obligations apply.
- Grasping these rights requires fully understanding the nature of the free software licensing and gauging its strengths and limits.

Types Of Open Source Licenses



Martin Fink *The Business and Economics of Open Source Software, 2004*

Choosing the Right License

- Criteria for selecting the appropriate license:
  - the frequency of use of the license,
  - the protection granted by the license against proprietary uses of the software produced e.g., the GPL does do not allow a proprietary solution to be based on free software; other licenses, like the MIT and BSD Licenses, allow proprietary derived works.
  - the degree of compatibility of the available components with the chosen license e.g., GPL software has the greatest integration capacity.
  - Other license attributes. See, *Guide to choosing and using free software licenses for government and public sector entities Appendix: Detailed analysis of licenses* December 2002, ATICA, atica@atica.pm.gouv.fr

Ensure Restrictions are Understood.

- GPL - Licensee must cause any work that is distributed that contains or is derived from the Program to be licensed as a whole at no charge to all third parties under the terms of the GNU GPL.
- Copyleft obligation does not apply to additions which are not derived from the original, which can be “reasonably considered independent”, and which are distributed separately from the initial software.
- The license does not apply to works not derived from the GPL software present on the same storage or distribution medium.
- However, if an independent work is distributed as part of a whole which is a work based on the Program, the distribution of the whole must be on the terms of this License.
- How does the obligation apply to (1) a proprietary program that runs on a GPL work,(2) programs that share same data through API but don’t alter source code, (3) dynamically linked programs, (4) programs that are linked statically or using a shared library?

Compliance Tips

- Failure to comply with license restrictions can have significant consequences.
- Acquirers of company will perform rigorous diligence.
- Users need to be diligent about what is used.
- May need to investigate source of software if it is critical to business.
- Need to manage risk e.g education programs, obtaining advice.
- Review code base before releasing software e.g. search text strings for GNU, GPL, etc and 3rd party copyright notices, compare code.
- Need to amend standard employment agreements to ensure software can be licensed.

Open Source Warranties

"Except as set forth in the Disclosure Schedule, Company has not (1) incorporated Open Source Materials into, or combined Open Source Materials with, Company's Software or products, (b) distributed Open Source Materials in conjunction with Company's Software or products, or (c) used Open Source Materials that create, or purport to create, obligations for Company with respect to Company's Owned Intellectual Property or Company Software or grant, or purport to grant, to any third party, any rights or immunities under Company's Owned Intellectual Property or Company Software (including using any Open Source Materials that require, as a condition of use, modification or distribution of such Open Source Materials that other software incorporated into, derived from or distributed with such Open Source Materials be (i) disclosed or distributed in source code form, (ii) be licensed for the purpose of making derivative works, or (iii) be redistributable at no charge). No Owned Intellectual Property or Company Software are subject to the terms of license of any such Open Source Materials"

Open Source

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