

WSGR ALERT

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SETTLEMENT REACHED IN IMPORTANT OPEN SOURCE COPYRIGHT INFRINGEMENT CASE

On February 18, 2010, the parties in *Jacobsen v. Katzer* settled their dispute over open source software (OSS) on terms favorable to the OSS developer, Jacobsen.¹ This development merits careful consideration by companies and individuals that use OSS for several reasons, including:

- Cases in both the U.S. and abroad have held that OSS licenses are enforceable copyright licenses. In the U.S., the *Jacobsen* case specifically held that violators of OSS licenses may be subject to claims under copyright law, including statutory damages up to \$150,000 per infringing work and injunctive relief.
- The favorable terms of the *Jacobsen* settlement provide additional evidence that violators of OSS licenses may face significant repercussions.

Background

The OSS underlying the dispute is used to build software tools to control model railroads. The plaintiff and copyright holder, Jacobsen, created the Java Model Railroad Interface (JMRI). JMRI is governed by the Artistic License, which, like many other OSS licenses, imposes certain requirements on

downstream users. The defendants, Katzer and related parties, incorporated code written by Jacobsen into a competing commercial product without complying with the requirements of the Artistic License. Consequently, Jacobsen sued Katzer for copyright infringement based upon the unlicensed use of the JMRI code and sought a preliminary injunction.²

Discussion of Earlier District Court and CAFC Cases

In August 2007, the U.S. District Court for the Northern District of California had treated the attribution and other requirements of the Artistic License as independent covenants rather than conditions of use, and therefore denied Jacobsen's copyright infringement claim and motion for a preliminary injunction, indicating that Jacobsen's remedies were limited to a breach of contract claim.³ Jacobsen appealed this ruling. In August 2008, the Court of Appeals for the Federal Circuit (CAFC) vacated the district court's decision and remanded the case to the district court to review the appropriateness of a preliminary injunction, holding that the Artistic License's requirements are conditions of use rather than independent covenants and that, consequently, the district court erroneously dismissed the plaintiff's claims under copyright law.⁴ That is, if the defendant

failed to comply with the license conditions, then the plaintiff may claim that the unlicensed use of the JMRI code constitutes copyright infringement.

In reaching this holding, the CAFC indicated that the Artistic License's conditions provided an economic benefit to Jacobsen despite the lack of a licensing royalty, noting 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."⁵ Furthermore, the CAFC held that copyright owners who engage in OSS licensing have the right to control their copyrighted works, and that copyright licenses are specifically "designed to support the right to exclude."⁶ Consequently, absent the ability to enforce license restrictions through injunctive relief, such restrictions "might well be rendered meaningless" if speculative money damages under contract law were the only significant remedy available.⁷

For additional information on these holdings, please see our previous WSGR Alert at http://www.wsg.com/WSGR/Display.aspx?SectionName=publications/pdfsearch/clientalert_open_source_software.htm.

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¹ The settlement agreement can be found at <http://www.docstoc.com/docs/25847971/Jacobsen-Settlement>.

² Katzer originally sent a claim letter to Jacobsen alleging potential patent infringement, in response to which Jacobsen filed an action seeking declaratory relief on the patent infringement allegation and later, an action asserting a claim against Katzer and other defendants for copyright infringement.

³ *Jacobsen v. Katzer*, 2007 WL 2358628 at *7 (N.D. Cal. Aug. 17, 2007).

⁴ *Jacobsen v. Katzer*, 535 F.3d 1373, 87 U.S.P.Q.2d 1836 (Fed.Cir. (Cal.) Aug. 13, 2008).

⁵ *Id.* at *1379.

⁶ *Id.* at *1381.

⁷ *Id.* at *1382.

Settlement Reached . . .

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Discussion of District Court Decision on Remand

On remand in January 2009, the district court denied Jacobsen's motion for a preliminary injunction,⁸ but granted some of Jacobsen's motions for summary judgment,⁹ holding that:

1. The JMRI code in question was sufficiently original to be granted copyright protection, a prerequisite for a copyright infringement suit.¹⁰
2. Monetary damages were available to Jacobsen under the Copyright Act despite the distribution of the JMRI code at no cost, due to "evidence in the record attributing a monetary value for the actual work performed by the contributors to the JMRI project."¹¹
3. The defendant's removal of the attribution information could constitute a violation of the Digital Millennium Copyright Act (DMCA), as the "author's name, a title, . . . copyright notice, and the copyright owner" constituted copyright management information under Section 1202(c) of the DMCA.¹²

Terms of the Settlement

Following an appeal of the district court's decision on remand, the parties reached a settlement agreement.¹³ The terms of the settlement include:

1. payment of \$100,000 to Jacobsen within 18 months of the settlement date;
2. a permanent injunction preventing Katzer from reproducing any JMRI

Materials and from registering any trademarks or domain names related to JMRI, with "JMRI Materials" broadly defined to include any code, data, text, or other expressive content made available as part of the JMRI project;

3. dismissal of the pending appeal; and
4. a mutual release of all pending and future claims arising between the parties with respect to the JMRI Materials and the lawsuit between the parties, with future disputes between the parties settled using a special procedure involving mediation and arbitration.

The *Jacobsen* case and its final settlement represent significant developments in the law surrounding OSS licenses and provide those who use OSS with a further reminder that 1) OSS licenses have been found enforceable, both in the U.S. and abroad; and 2) failure to comply with OSS license conditions may result in serious repercussions, including claims in copyright law.

Open source software and information technology law is a cornerstone of Wilson Sonsini Goodrich & Rosati's technology transactions practice, and we will continue to follow developments in this highly complex and evolving area of the law. Please contact Sara Harrington, Selwyn Goldberg, Catherine Kirkman, Suzanne Bell, or another member of the firm's technology transactions practice to discuss any questions that you may have regarding this important decision, as well as how to best comply with the requirements of the various OSS licenses.



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⁸ *Jacobsen v. Katzer*, 609 F.Supp.2d 925, 89 U.S.P.Q.2d 1441 (N.D. Cal. Jan. 05, 2009).

⁹ *Jacobsen v. Katzer*, 2009 WL 4823021, 93 U.S.P.Q.2d 1236 (N.D. Cal. Dec. 10, 2009).

¹⁰ *Id.* at *3, *5.

¹¹ *Id.* at *4.

¹² *Id.* at *7.

¹³ See <http://www.docstoc.com/docs/25847971/Jacobsen-Settlement>.