

LITIGATION

INTELLECTUAL PROPERTY >> ALERT

BREACH OF CONTRACT CLAIMS ALLOWED FOR ALLEGED OPEN SOURCE LICENSE VIOLATIONS

Recently, in *Artifex Software v. Hancom, Inc.*, a California district court refused to dismiss breach of contract claims for alleged violations of the GNU General Public License (GPL) in connection with the use of open source software. The decision signals a growing acceptance of contract law as a viable option for addressing GPL breaches.

OPEN SOURCE LICENSES

An open source license is a type of license for software that imposes fewer use restrictions than a standard proprietary license. Among other things, it is designed to govern the use of the software released in its human readable or “source code” form. Access to source code, which is not usually contemplated in commercial licenses, allows users to see the underlying “blueprint” for the software. Open source licenses range from “permissive” licenses, such as the Massachusetts Institute of Technology (MIT) and Berkeley Software Distribution (BSD) licenses, that contain few restrictions on reuse, to “copyleft” licenses (such as the GPL) that typically require that rights to use the covered software are preserved when the software is shared.

The GPL is one of the most widely used, and restrictive, open source licenses. It was published by the Free Software Foundation and has three different versions in use. Among other terms, the GPL requires licensees

THE BOTTOM LINE

A recent California decision allowed breach of contract claims for GPL violations in connection with the use of open source software. As the decision shows, reliance on arguments that the GPL is not a contract or that corresponding contract claims are preempted by copyright law may prove misplaced. Accordingly, businesses should carefully consider contract law implications when licensing and using GPL-governed code.

to provide or offer the source code for the licensed software (or works based on it) upon conveyance of the corresponding object code version. Despite the prevalence of the GPL, few cases have addressed its enforceability.

ARTIFEX SOFTWARE V. HANCOM, INC.

Artifex Software, Inc. (Artifex) is the commercial licensor of “Ghostscript” software, a widely used PDF interpreter. Artifex provides Ghostscript under a “dual licensing” model, where licensees can either purchase a commercial license or obtain the software without charge under the terms of the GPL.

According to Artifex, it recently discovered that Hancom, Inc. (Hancom) had been distributing Ghostscript as part of its word processing, spreadsheet and presentation software. Artifex claimed that Hancom’s use of Ghostscript was governed by the GPL, version 3, as Hancom had not purchased a separate commercial license, and that Hancom failed to make available the source code of Ghostscript as required under the GPL. Following this discovery, Artifex demanded that Hancom cease the non-compliant use and pay a reasonable royalty, but was “rebuffed.” As a result, Artifex sued Hancom for breach of contract and copyright infringement.

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In response, Hancor sought, among other things, to dismiss the breach of contract claims. According to Hancor, Artifex failed to adequately allege the existence of a contract and damages. Hancor further asserted that the breach of contract claims were preempted by federal copyright law, arguing that there was no “extra element” to distinguish them from a copyright infringement claim and that the terms of the GPL were merely “conditions” and not contractual promises.

As support, Hancor pointed, in part, to a prior decision in the same district, *Jacobsen v. Katzer (Jacobsen II)*. In *Jacobsen II*, on remand from the Federal Circuit, the court held that a licensor had failed to adequately plead damages for breach of the Artistic License, another open source license, when the licensor merely claimed that it had “been harmed” without providing further detail. In addition, the court in *Jacobsen II* found that the related breach of contract claims were preempted by federal copyright law.

Artifex countered that its pleadings were sufficiently detailed and, thus, distinguishable. Artifex also noted that its breach of contract claims were supported by a recent Texas case, *Versata Software, Inc. v. Ameriprise Fin., Inc.* In that decision, the court held that the source code disclosure requirement in a different version of

the GPL constituted a sufficient “extra element” to survive preemption by the Copyright Act.

RULING ON FAILURE TO STATE A CLAIM

Turning to Hancor’s first argument, the court found that Artifex sufficiently pled the existence of a contract. The court noted that Artifex alleged Hancor “used Ghostscript, did not obtain a commercial license, and represented publicly that its use of Ghostscript was licensed under the [GPL].” The court also pointed to Section 9 of the GPL, which includes the following term: “[B]y modifying or propagating a covered work, you indicate your acceptance of this License to do so.”

The court also held that damages were adequately pled. The court found that Artifex had sufficiently claimed that the unauthorized use deprived it of licensing fees and the ability to advance and develop Ghostscript through open source sharing. The court indicated that Hancor’s arguments were more appropriately addressed on summary judgment.

RULING ON PREEMPTION

After addressing Hancor’s initial arguments, the court held that Hancor did not meet its burden to demonstrate preemption by the Copyright Act. After citing *Versata*,

the court found that Hancor had not sufficiently shown why the GPL’s source code disclosure requirement did not constitute an “extra element” outside of a copyright infringement claim. The court distinguished *Artifex* from *Jacobsen II*, noting that the source code disclosure argument was “apparently not made” in *Jacobsen II*. The court also noted that any breach of contract claims based on foreign infringement activities not subject to the Copyright Act would not be preempted by it.

TAKEAWAYS

Artifex shows that courts may be willing to allow dual theories of recovery – breach of contract and infringement – for GPL violations. Accordingly, businesses should consider the following implications:

- >> Standard Contracting Rules Apply to the GPL. *Artifex* casts doubt on the argument, echoed by Hancor, that the GPL is merely a unilateral permission, and not a contract. Indeed, the decision suggests U.S. courts will simply apply standard contract law rules where a breach of contract is alleged for GPL violations.
- >> Preemption Remains Unsettled for Open Source Licenses. *Artifex* and *Versata* found that breach of contract claims were not preempted for GPL violations. *Jacobsen II*,

however, found that breach of contract claims were preempted for violations of the Artistic License, as pled in that case. Which view will prevail for other open source licenses remains unsettled, and likely depends on the specific terms of the open source license and the applicable pleadings.

>> Contract Remedies Can Differ.

Although, in the United States, there is significant overlap with infringement remedies (and, often, infringement remedies are stronger), breach of contract remedies differ in some respects. For example, a typical breach of contract claim in similar circumstances would likely seek a reasonable royalty similar to actual damages under U.S.

copyright law. On the other hand, specific performance can be sought for breach of contract claims in some circumstances. This could lead to a claim to require disclosure of source code in cases similar to *Artifex*.

>> Interpretation of the GPL May Vary. Contract claims may further increase the potential for different GPL interpretations. Local contract laws may entail different rules of interpretation or impose additional limits or terms from outside the contract. This risk may be heightened as the GPL seems to be drafted from a U.S. law perspective, and does not contain governing law terms.

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