

Open Source Code:

**Understanding and
Managing the Risks**

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What is Open Source Software?

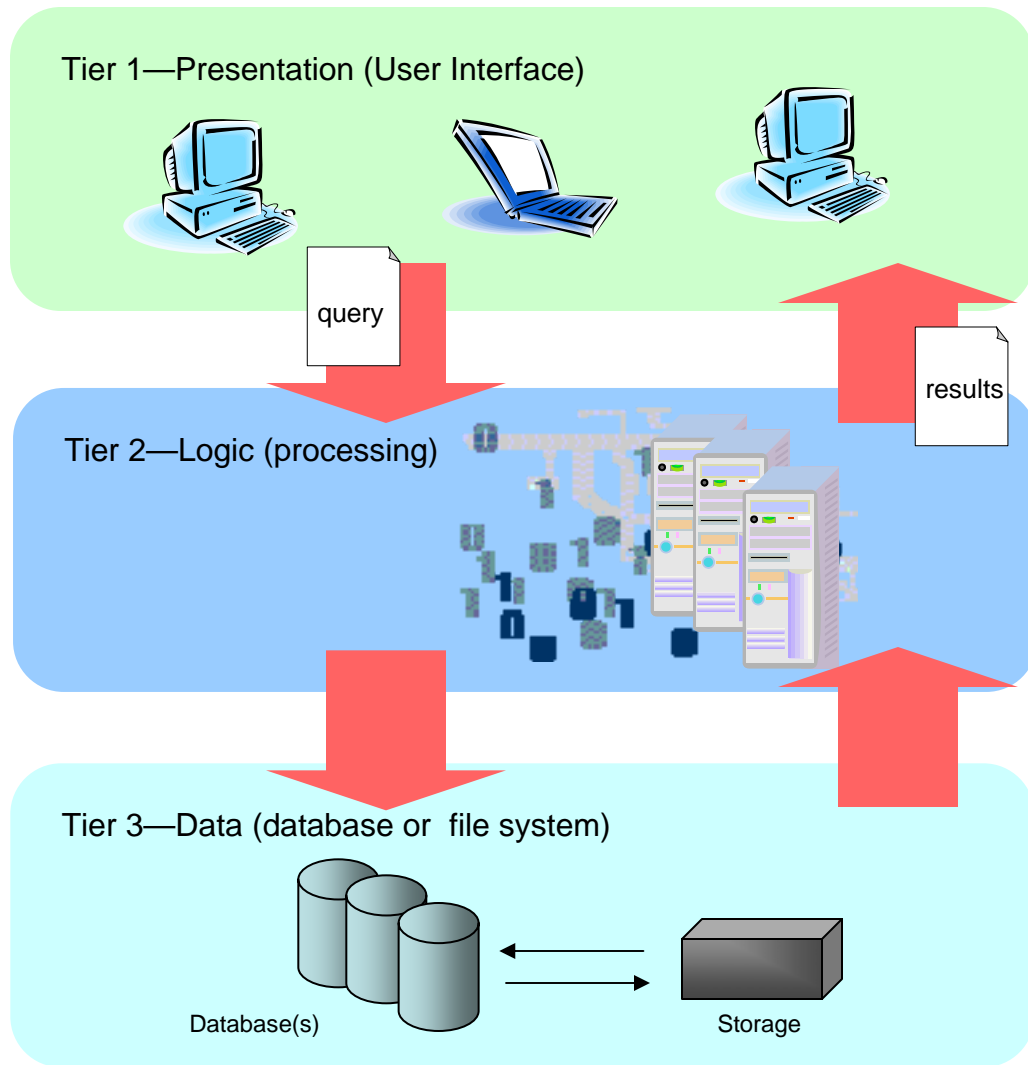
- Open Source Software (“OSS”) is:
 - Royalty Free for use, copying and redistribution
 - Available With Source Code
 - Freely modified
 - Available to all
 - Not tied to any particular software distribution
 - Freely distributed with other software

 - Protected by copyright laws
 - Subject to enforceable license
- OSS is not:
 - In the public domain
 - “freeware”
 - “shareware”

Open Source Issues

- Licensing disputes
- Infringement actions
- Due diligence
- Sarbanes Oxley
- Development outsourcing/insourcing
- Employee participation in OSS
“communities”

Open Source Issues



- ← OSS
- ← Proprietary ← OSS
- ← OSS
- ← Proprietary ← OSS
- ← OSS
- ← Proprietary ← OSS

Advantages Of Open Source Software

- Immediately available
- Reduces development costs
- Maximizes versatility/flexibility
- Simplifies enhancements and debugging
- Peer reviewed
- WYSIWYG

Risks Of Open Source Software

- General Contractual Risks
- Risks Imposed By OSS Licenses
- Infringement Risks

Contractual Risks

- No meaningful warranty provisions
- No indemnity provisions
- Unidentified upstream licensors
- Few interpretive decisions
- Uncertainty about governing law

Risks Imposed By OSS Licenses

- “Copyleft” obligations
 - persistent
- May be “viral”
 - GPL requires that “[y]ou must cause any work that you distribute or publish, that in whole or in part contains or is derived from the Program or any part thereof, to be licensed as a whole at no charge to all third parties under the terms of this license.” *GPL v. 2 § 2(b)*

Risks Imposed By OSS Licenses

License Type	Strong Copyleft	Weak Copyleft	No Copyleft
GPL	X		
LPGL		X	
MPL		X	
BSD			X
ASL			X

Risks Imposed By OSS Licenses

- Scope of “copyleft” license obligations unclear
 - Derivative work based on OSS subject to copyleft obligation
 - “Independent and separate works” not subject to copyleft obligation
 - “mere aggregation . . . on a volume of a storage medium” does not bring another work under scope of GPL
- Line between single work that “contains or is derived from” OSS, and “identifiable sections . . . reasonably considered independent and separate works” is unclear
 - Interaction through API’s
 - Dynamic linking

Risks Imposed By OSS Licenses

- Duty to disclose license obligations
- Notice obligations
- Attribution
- Advertising restrictions

GPL v.3

- Defines “Complete Corresponding Source Code.” GPL v. 3 § 1
 - “to make completely clear that a licensee cannot avoid complying with the requirements of the GPL by dynamically linking an add-on component to the original version of a program.”

GPL v.3

- Patent Retaliation

- Provides that license rights are terminated if the licensee brings a patent infringement lawsuit against anyone “for making, using or distributing their own works based on the Program.” GPL v.3 § 2
- Provides that licensees may impose additional patent retaliation requirements extending to users “closely related to any party that has filed a software patent lawsuit.” GPL v.3 § 7(e)

GPL v.3

- Digital Restrictions Management (DRM)
 - Defines “Complete Corresponding Source Code” to include “any encryption, authorization and decryption codes” GPL v.3 § 1
 - Provides that licensed works does not constitute part of effective technological protection measure. GPL v.3 § 3

GPL v.3

- “Copyleft” provisions.
 - Expanded to expressly require that licensee creating a derivative work “must license the entire modified work, as a whole under the” GPL
 - Maintains exclusion of “identifiable sections not derived from [licensed] Program . . . reasonably considered independent and separate works,” but only where “distributed as separate works for use not in combination of with the program.”

GPL v.3

- License Compatibility
 - Identifies the circumstances under which licensee may impose additional license terms for licensee's own modifications. GPL v.3 § 7
 - Preservation of copyright notices
 - Additional disclaimers of warranty
 - Limitations on use of trademarks or publicity rights
 - Additional software patent retaliation terms

GPL v.3

- License Termination
 - Replaces automatic license termination provisions with permissive termination after notice. GPL v.3 § 8

GPL v.3

- Patent License
 - Expressly grants non-exclusive royalty free patent license to recipients of a covered work.
 - Requires that licensee who distributes a covered work “knowingly relying on a patent license [] must [] shield downstream users against possible patent infringement claims from which [] license protects you.”

Infringement Risks

- Few cases have directly addressed issues unique to OSS
 - No reported patent infringement cases
 - Few copyright infringement actions
 - One trademark infringement action

SCO Group, Inc. Litigation

- *SCO Group v. IBM Corp. (U.S.D.C. Utah)*
- *SCO Group v. Novell, Inc. (U.S.D.C. Utah)*
- *Red Hat, Inc. v. SCO Group (U.S.D.C. Del.)*
- *SCO Group v. Autozone (U.S.D.C. Nev.)*
- *SCO Group v. Daimler Chrysler (Mich. Dist. Ct.)*

Progress Software Corp. v. MySQL AB

- GPL licensor claimed trademark infringement and breaches of GPL for Open Source database engine
- Court granted preliminary injunction prohibiting licensee from:
 - Promoting or selling products using the MySQL mark
 - Allowed licensee to state that its product operates with MySQL program
- Did not address whether licensee’s program “is a derivative or an independent and separate work under the GPL”

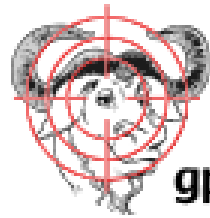
Drew Technologies, Inc. v. Society of Automotive Eng's, Inc.

- GPL licensor brought suit to enforce rights in software covered by GPL
- Licensee asserted copyright ownership for industry standards embodied in software
- Case settled following denial of motion for partial summary judgment
 - Agreement that licensee would not assert copyright claim over standards
 - Payment of \$75,000 by licensee

Computer Associates International v. Quest Software, Inc.

- Developer brought suit against competitor for copyright infringement and theft of trade secrets
- Defendant asserted that developer did not own valid copyrights because developer used OSS Bison program to generate parser source code
- Court rejected argument and recognized that special exception to Bison GPL provided that Bison output file could be used without restriction

Foreign OSS License Enforcement



Let's save the GNU!

gpl-violations.org

Foreign OSS License Enforcement

- *Welte v. Fortinet UK Ltd.*
- *Netfilter v. Sitecom Germany*
 - GPL-violations.org brought suit against licensees to enforce GPL
 - German courts granted preliminary injunctions prohibiting further distribution of licensed software absent full compliance with GPL

Wallace v. Free Software Foundation, Inc.

- Alleged GPL constitutes illegal price fixing
- Could not constitute *per se* violation
- Dismissed for failure to allege antitrust injury

Wallace v. Free Software Foundation, Inc.

- “By making certain software programs available to users at no charge, the GPL may be discouraging developers from creating new and better programs because they will not receive compensation for their work, thereby reducing the number of quality programs available to users. This may be considered anticompetitive effect”

Managing The Risks

- Developing Open Source Policies
 - **Who** is making the decision
 - **What** is nature of development project
 - **Where** was the OSS obtained
 - **How** specifically will OSS be used
 - **Why** is OSS proposed

 - **Document**

Managing The Risks

- Vendors
 - Explicitly address the use of OSS
 - Warranty/Indemnification
- Employees
 - Understand what your developers are doing
 - Handbook/trade secret policies

Managing The Risks

- Remediation
 - Assess during IP Due Diligence
 - Address during versioning process
 - Involve counsel

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