



# LEGAL ISSUES



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## Legally Speaking — Is Open Source Software a Violation of Antitrust Law: Considering the case of *Wallace v. IBM*

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One of the most interesting developments in copyright law has been the development of the open source movement and alternative licensing systems such as the **GNU General Public License**. These substitutes for traditional copyright law have become known collectively as “copyleft.” While copyleft has increased in popularity, there have also been questions about its legality. However, two recent cases (one from a very unusual source) have come down strongly on the side of copyleft.

This column is part one of a two-part series discussing the legality of open source software. In this column, I will discuss open source licenses and the case of *Wallace v. IBM*,<sup>1</sup> which ruled that copyleft and open source licenses are not a violation of antitrust law. In part two, I will discuss the August 2008 ruling by the Court of Appeals for the Federal Circuit in the case of *Jacobsen v. Katzer*.<sup>2</sup>

### The Development of Copyleft and Alternative Licenses

Under copyright law, authors have traditionally had two options for their work: they could either enforce copyright, or dedicate the work to the public domain. These were the only two choices. However, creators have been unhappy with this situation. While most still work within the regular copyright system, some creators wish to distribute their work for free, yet retain some rights for themselves. The problem is that the author must give up *all* rights when placing a work in the public domain. This has created a dilemma for many authors and creators.

U.S. copyright law allows authors to retain the exclusive rights to reproduce, prepare derivative works, and distribute copies.<sup>3</sup> Once a work is in the public domain, however, the creator no longer has these exclusive rights. This means that the author has no control whatsoever over his or her work. The only choices are complete control or no control. In some circumstances,

the copyright law has frustrated the intentions of the creator.

Although this dilemma can occur with any type of work, it has become particularly important in the field of software development. Many software creators do not mind having others duplicate, modify, or make derivative works. The problem is that a big software company can take a product in the public domain, create a derivative work, then copyright and sell the modification. Not only does the original author not receive any profit, but their intentions have been completely frustrated.

The open source movement was created to help deal with this quandary. The **GNU project** and their sponsor, the **Free Software Foundation**, have created a system of software licenses that help authors distinguish between those rights they grant and those they retain, without *waiving* any rights. There are several different license arrangements that the **GNU** has created, both for software and for documentation. Each allows the author to grant and retain slightly different rights. However, the most popular type is the **GNU General Public License (GPL)**.<sup>4</sup> The **GPL** allows “downstream” users to reproduce, modify or create derivative works without charge. However, any future modification or derivative work must be subject to the *same* terms as the original. In other words, if

the original work was freely distributed, the derivative work must also be freely distributed. Thus, the intentions of the original author must always be honored by future users. This is based on the principle that a licensee may pass on to sub-licensees only those rights that he or she has acquired. The sub-licensee may not exceed the scope of the original license.<sup>5</sup>

While **GPL** is used the most, it is not the only copyleft license. Several other organizations have also created alternative licensing

schemes. The ones with the greatest use and recognition are the **Apache License** from the **Apache Foundation**, and the **Artistic License** from the **Pearl Foundation**. These licenses are considered by **GNU** to be compatible with their **GPL**, and to be refinements rather than replacements.

However, questions about the legality of alternative licensing has plagued the copyleft system. The case we will discuss today, *Wallace v. IBM*,<sup>6</sup> involved the question of whether the copyleft system constitutes an illegal conspiracy to restrain competition under antitrust law. The 7th Circuit Court of Appeals ruled against *Wallace*, finding in favor of the fledgling copyleft system.

### Wallace v. IBM

The *Wallace* case involved the legality of the Linux operating system under antitrust law. Linux is distributed under the **GPL** by many entities, including **IBM**, **Red Hat**, and **Novell**. *Wallace* challenged this distribution on the grounds that “**IBM**, **Red Hat**, and **Novell** have conspired among themselves and with others (including the **Free Software Foundation**) to eliminate competition in the operating system market by making **Linux** available at an unbeatable price.”<sup>7</sup> *Wallace* claimed that the **GPL** itself was an illegal agreement that promoted an antitrust conspiracy.

Section 1 of the *Sherman Antitrust Act*<sup>8</sup> reads as follows: “Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal.” Although most people think about antitrust in terms of price fixing or setting an illegally high price, it also pertains to predatory pricing situations where the producer sells their product at a price lower than the cost of production in order to discourage competition.<sup>9</sup> Once the competition goes out of business, however, the survivor charges a monopoly price in order to recoup their losses. The claim in the *Wallace* case involved predatory pricing.

Neither the District Court nor the 7th Circuit Court of Appeals was very sympathetic

*continued on page 63*



## Legally Speaking from page 62

to this claim. In fact, the wording of the GPL making future modifications free as well guarantees that no monopoly price can be charged later. The Court of Appeals noted that "People willingly pay for quality software even when they can get free (but imperfect) substitutes."<sup>10</sup> The court cited **Microsoft Office** and **Adobe Photoshop** as being successful products, despite the free availability of **Open Office** and **GIMP**.<sup>11</sup> Most damning of all, however, was the situation with operating systems themselves: "Many more people use **Microsoft Windows**, **Apple OS X**, or **Sun Solaris** than use **Linux**. **IBM**, which includes **Linux** with servers, sells mainframes and supercomputers that run proprietary operating systems. The number of proprietary operating systems is growing, not shrinking, so competition in this market continues quite apart from the fact that the GPL ensures the future availability of **Linux** and other **Unix** offshoots."<sup>12</sup>

The court also ruled that the GPL itself was not a conspiracy in restraint of trade simply because it set a maximum price. In order to be illegal, an agreement must *unreasonably* restrain trade. This is known as the *Rule of Reason*.<sup>13</sup> The court in the *Wallace* case ruled that the *rule of reason* applied to the GPL, noting that:

Intellectual property can be used without being used up; the marginal cost of an additional user is zero (costs of media and paper to one side), so once a piece of intellectual property exists the efficient price of an extra copy is zero, for that is where price equals

marginal cost. Copyright and patent laws give authors a right to charge more, so that they can recover their fixed costs (and thus promote innovation), but they do not require authors to charge more. No more does antitrust law require higher prices.<sup>14</sup>

The Court of Appeals thus came to the conclusion that "The GPL and open-source

software have nothing to fear from the antitrust laws."<sup>15</sup> The copyleft system won that round, living to fight another day. However, *Wallace v. IBM* was not the end, it was only the beginning; the anti-copyleft forces still had another shot. In part II, I will discuss the question of whether using alternative licenses still allows creators to take advantage of copyright laws. 🐼

### Endnotes

1. *Wallace v. International Business Machines Corporation; Red Hat, Inc.; and Novell, Inc.*, 467 F.3d 1104; 2006 U.S. App. LEXIS 27699; 80 U.S.P.Q.2D (BNA) 1956; 2006-2 Trade Cas. (CCH) P75,480 (2006).
2. *Robert Jacobsen v. Matthew Katzer and Kamind Associates, Inc.* (doing business as KAM Industries), 535 F.3d 1373; 2008 U.S. App. LEXIS 17161; 87 U.S.P.Q.2D (BNA) 1836; Copy. L. Rep. (CCH) P29,620 (2008).
3. 17 U.S. Code § 106. For literary, musical, dramatic, and choreographic works, pantomimes, motion pictures and other audiovisual works, copyright also provides exclusive rights for public performances and displays. Similarly, copyright provides an exclusive right for the digital audio transmission of sound recordings.
4. The **GNU General Public License** is available at <http://www.gnu.org/licenses/licenses.html> (last visited November 22, 2008).
5. For more information about license agreements, see chapter 7 of my book *The Law of Libraries and Archives* (Scarecrow Press, 2007).
6. *Wallace v. IBM*, 467 F.3d 1104; 2006 U.S. App. LEXIS 27699; 80 U.S.P.Q.2D (BNA) 1956; 2006-2 Trade Cas. (CCH) P75,480 (2006).
7. *Wallace* at 1106.
8. 15 U.S.C. § 1 et seq.
9. See, *Brooke Group Ltd. v. Brown & Williamson Tobacco*, 509 U.S. 209 (1993).
10. *Wallace* at 1107.
11. The court also pointed out that the opinion itself is available free online, even though many users will get it via a published reporter system or through commercial services such as **Lexis** or **Westlaw**. *id.*
12. *id.*
13. The *Rule of Reason* was first articulated by the Supreme Court in *Standard Oil Co. of New Jersey v. United States*, 221 U.S. 1 (1911).
14. *Wallace* at 1107-1108.
15. *Wallace* at 1108.

## Questions & Answers — Copyright Column

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**QUESTION:** *Several faculty members at a state university have asked the library to make copies of videos borrowed from the library to send to the distance education students. Copies would be made on DVDs and then mailed to the students. Students would be required to return these copies or their grades would be held. May the library reproduce these videos to service distance education students? If so, would any preventative measures be required such as encrypting the copies to block the students from duplicating them? When students return the copies, should the copies then be destroyed or may they be reused many times?*

**ANSWER:** The problem with the described activity is not the mailing of DVD copies to distance education students for return to the library, but is reproducing videos without seeking permission from each copyright owner and paying royalties if requested. There may be other alternatives that the school or library should explore. For example, purchasing

multiple copies of a video for lending, streaming a portion (not the entire video) to distance education students enrolled in a course or assigning the video for students to view and then suggesting where it may be found such as video rental stores, public libraries or online download or rental.

The secondary questions make no difference since it is the reproduction itself that causes the copyright difficulties. Whether downloading technologies would be required or whether reproduced copies could be lent many times do not matter if the reproduction of the videos onto DVD was infringement in the first place.

**QUESTION:** *A local historical society is considering putting back issues of its local history magazine that it publishes online. Some of the issues date from the 1940s, and many of the articles were written by volunteers but some by professional writers. How can it get permission from the original authors for the online version? The copyright notice in*

*the issues simply says "Copyright, X Historical Society" and then includes the year.*

**ANSWER:** Depending on the publication date, it is possible that some of the magazine issues are not under copyright any longer. The first question is whether the issues were registered for copyright, because prior to 1978, works had to be registered in order to be protected by federal copyright. Assuming that the issues were registered, they received 28 years of protection. At the end of that period, the society would have had to apply for a renewal of copyright for each issue or they would have entered the public domain. Even if the issues were registered when originally published, it is unlikely that the local society applied for a renewal of copyright, so issues prior to 1964 are likely in the public domain and the society can put these issues online without worrying about permission from the authors.

Issues published after 1978 are protected by copyright whether registered or not. The issues

*continued on page 64*

## Questions & Answers from page 63

now receive 95 years of copyright protection, so the society would need to seek permission of authors to place those articles online. For issues published between 1964 and 1977, renewal of copyright was automatic, and instead of 28 years, the renewal term is 67 years for a total of 95 years of protection. So permission is needed for these articles too. Based on the *Tasini* decision (*New York Times v. Tasini*, 533 U.S. 483 (2001)), any transfer to the publisher would have to have specifically transferred the electronic rights to the publisher for the publisher to own those rights. Thus, contacting the authors for permission is important. The difficulty, of course, is that many of them from the earlier years in this range probably are deceased or are very difficult to locate.

The best advice for the society is to try to locate the authors, post a notice on the society Website asking for authors to contact the publishing staff. Each article placed online for which the author has not been located should be noted along with a plea for anyone reading the article to help locate him or her.


**QUESTION:** *The E-learning division of a for-profit educational institution wants to use images of some standard workplace notifications such as one would see in a company cafeteria (dealing with workplace safety,*

*mandatory lunch breaks, etc.). The images would be used as a part of an instructional program. Is there a problem with using them if they came from an Equal Employment Opportunity Commission (EEOC) Website?*

**ANSWER:** While materials produced by the federal government are not eligible for copyright protection, government Websites also include copyrighted studies, etc., that were commissioned by the agency with outside contractors. If the photographs were taken by government employees within the scope of their employment, then they are copyright free. Although copyright notice is not required on works, often those commissioned studies and other works that appear on a government Website do contain a copyright notice, so this would be the first thing to check. If in doubt about the copyright status, the educational institution should contact the EEOC Webmaster and seek permission to use the photographs.

**QUESTION:** *(1) May a teacher scan and display a short story or poem in its entirety for students enrolled in a course in a nonprofit educational institution to read prior to an upcoming class session? (2) May that material — or any material posted in the course management system for*

*the course — be accessed at any time during the duration of the course other than during scheduled class sessions, i.e., can students review the material at any time prior to the end of the course?*

**ANSWER:** (1) Yes, if it is typically the amount of material that would be displayed to a class in a face-to-face situation. (The old put it on transparencies or slides idea). So, a book length poem, probably not, but a two page poem, yes. The same is true for a brief short story. If it is more than a few pages though, it likely would not be permissible under the *TEACH Act* but would be covered by section 107 fair use and should follow the *Guidelines on Multiple Copying for Classroom Use*. (2) Text materials placed in the course management system under fair use can be accessed at any time, but performances and displays under the *TEACH Act*, no. For text materials such as articles, may remain in the course management system for only one semester, but there is no limit on downloading or retention. For performances and displays, there is no one semester limit, but student access must be limited to the “class session” and may not be downloaded. 



## Cases of Note — Copyright: Technology Trumps Tasini

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*Jerry Greenburg v. National Geographic Society*, United States Court of Appeal for the Eleventh Circuit, 533 F.3d 1244; 2008 U.S. App. LEXIS 13832 (2008)

**National Geographic** is that colorful magazine lying in stacks in your grandmother’s attic that no one can ever bear to throw out. It’s been around since 1888 and the non-profit society now produces TV, computer software and other educational stuff.

In days of yore when I was in public school, bound volumes of it lined the shelves of the library, or if your school were really up to date, it was on microfiche. Now **The Complete National Geographic (CNG)** is on a thirty-disc CD-ROM set.

**Greenburg** is a freelance photographer irritated that he hadn’t been paid more money when his pictures were shifted to CD-ROM format. He sued, lost at the district court, appealed and got a new trial and a \$400,000 jury verdict. **Nat Geo** appealed again based on the intervening *Tasini* decision. *Tasini v. NY Times*, 533 U.S. 483 (2001).



### The Second Appeal

Before the *1976 Copyright Act*, free-lancers risked losing copyright if they assigned a publisher the right to include them in a collective work without a printed copyright notice in their names. Copyright was indivisible, and everything went to the publisher.

The *1976 Amendment* treated copyright as a bundle of exclusive rights. § 201(c) recognized copyright in the artistic creator and a separate copyright in the collected work extending only to the extent of the publisher’s creativity and not to “the preexisting material employed in the work.” *Tasini*, 533 U.S. at 493-94.

The publisher could reproduce free-lance photos (a) as part of the collective work, (2) in a revision of the collective work, or (3) a later collective work in the same series. *Id.* at 496. This of course is in the event the publisher did not oblige the artist to give over all rights including for any future invented format which is the post-*Tasini* standard.

**Greenburg** naturally saw the CNG CD-ROM as a new collective work, and **Nat Geo** saw it as either a revision or a later work in the same series.

### New or Revision?

A “collective work” is a “work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole.” 17 U.S.C. § 101. It is an original work of authorship to the extent the publisher throws in some creativity in selection, coordination and arrangement of the materials. *Id.*

In *Tasini*, the *NY Times*, *Newsday* and *Sports Illustrated* put their articles in computer data bases owned by **LEXIS-NEXIS** and **UMI** without the consent of freelance authors one of whom was named **Tasini**.

The Supreme Court focused on whether the articles were pulled out of their original context and displayed in an isolated manner. *Tasini*, at 489. And indeed, the articles were not viewed as they originally were on the printed page. Pictures and ads were excised and the print formatting was lost. *Id.* at 490.

With individual articles removed from “the context provided either by the original periodical editions or by any revision of those editions,” the freelance work was not “part of” the original compilation or a “revision” of it. *Id.* at 499-500.

*continued on page 65*

## Cases of Note from page 64

A revision must necessarily have some element of newness, but the context of the new presentation must be looked at to see if it goes beyond what is allowed under § 201(c).

*So it can be revised, but not too much.*

Microforms contain a continuous reproduction of the original work miniaturized on film. The article is there; it's just tiny. The user working that dreadful machine can focus on only one article and ignore ads and other stuff, but it's still all there. *Id.* at 501-02.

### What About CNG?

CNG is analogous to microfilm and microfiche. The original page is right there on the CD-ROM. You look at two pages at a time with the fold right in the middle and page numbers at the lower outside corners. And of course it's in the same glorious color. The **Greenburg** photos are still embedded in the original context.

In the *Tasini* databases, a user could search for an article in an index, but once found, he could not flip to the next article. In CNG, you are browsing the original magazine.

Clutching at straws, **Greenburg** argued that new stuff had been added. Too much new stuff.

The Eleventh Circuit said the twenty-five second introductory montage does not wreck the original context of 1,200 precisely reproduced issues of the magazine. They analogized to putting a new cover on an encyclopedia and leaving the articles intact. If a new index, table of contents or foreword made it into a new work, there would be no such thing as a revision.

Likewise, a search function and zoom capacity are well within § 201(c)'s permissive area. A search function is a new version of the traditional index. Rather than look through the index for "global warming" and the list of pages strung out afterwards, the user hits "global warming" and the program retrieves it for him. And zooming in is no different from using a magnifying glass.

The doctrine of media neutrality is found in the *Copyright Act* with broad language allowing you to copyright anything fixed in a tangible medium of expression, "now known or later developed." 17 U.S.C. § 102(a). Thus, an exact digital reproduction of a print magazine cannot be a new collective work. A publisher can reprint in Braille or a foreign language and fall within the revision provision. One creates a new work by adding too much new material.

The issue will always turn on contextual fidelity to the original print publication. 🌳