



LEGAL ISSUES



Section Editors: **Bruce Strauch** (The Citadel) <strauchb@citadel.edu>
Bryan M. Carson, J.D., M.I.L.S. (Western Kentucky University) <bryan.carson@wku.edu>
Jack Montgomery (Western Kentucky University) <jack.montgomery@wku.edu>

Legally Speaking — The Legality of Open Source Software Part II: *Jacobsen v. Katzer*

by **Bryan M. Carson, J.D., M.I.L.S.** (Associate Professor, Coordinator of Reference and Instructional Services, Associated Faculty — Library Media Education Program, Western Kentucky University Libraries, 1906 College Heights Blvd. #11067, Bowling Green, Kentucky 42101-1067; Phone: 270-745-5007; Fax: 270-745-2275) <bryan.carson@wku.edu>

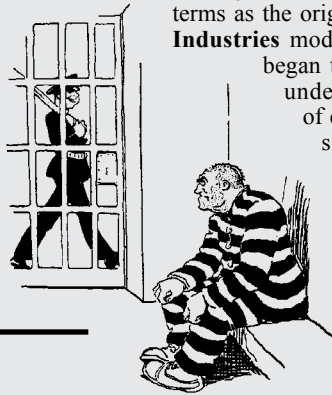
The development of the “Copyleft” and open source movement has thrown copyright law for a loop. There have been some questions about the legality of open source products, including those that use the **GNU General Public License**. However, two recent cases have affirmed the legality of the open source movement. In part I, I discussed the case of *Wallace v. IBM*,¹ a 2006 case in which the 7th Circuit Court of Appeals found that the **GNU General Public License** was not a violation of antitrust law. However, that did not completely settle the copyright and copyleft question. This month’s column will discuss the 2008 case of *Jacobsen v. Katzer*,² which was (unusually) decided by the Court of Appeals for the Federal Circuit.

Jacobsen v. Katzer sought to determine whether a copyright holder can have his/her cake and eat it too. The key issue of this case was whether authors who use the alternative system are still covered by copyright, or whether they have really given up all rights to their

work. In other words, have they inadvertently placed their work in the public domain? In August 2008, we received an answer to this question from the Court of Appeals for the Federal Circuit.

The Origins of *Jacobsen v. Katzer*

This case concerned software for model train hobbyists. **Robert Jacobsen** is a software designer in California. He created software to program chips for model trains, which was distributed under the Artistic license. **Jacobsen’s** license specifically indicated that future “downstream” modifications must themselves be subject to the same Artistic license terms as the original. However, **KAM Industries** modified the software and began to sell it commercially under the exclusive rights of copyright. Because the software involved the programming of chips which ran trains, **KAM** also obtained a utility patent for the mechanical portion of their product.



Jacobsen filed a lawsuit in Federal court in the Northern District of California for violation of copyright and breach of contract. He also sought a declaratory judgment that **KAM’s** patent was invalid. In addition, the plaintiff requested a preliminary injunction to stop **KAM** from distributing their software. While agreeing that **Jacobsen** had a valid claim under contract law, the District Court ruled that the language of the Artistic license was so broad as to be unenforceable under copyright law. This was a major blow for **Jacobsen** because of the rules regarding preliminary injunctions.

Standards for Preliminary Injunctions

An injunction is an equitable court order that commands a party “to do or to abstain from doing a particular action. The purpose ... is to preclude the occurrence of a threat-

ened wrong or injury as well as to prevent future violations.”³ This can take the form of a temporary restraining order (TRO), a preliminary injunction, or a permanent injunction. A TRO is “a temporary order of a court to keep conditions as they are (like not taking a child out of the county or not selling marital property) until there can be a hearing in which both parties are present.”⁴ Once both parties are present, the court may issue a preliminary injunction. After final disposition of the case, the judge may then order a permanent injunction.⁵ In intellectual property cases, injunctions usually take the form of prohibiting the infringing party from continuing their infringement. Because a preliminary injunction is issued before final disposition, courts must weigh carefully the costs and benefits of using this remedy. Courts typically use the following test for whether to issue a preliminary injunction:

- (1) Whether the plaintiff will probably succeed on the merits;
- (2) Whether irreparable harm to the plaintiff would result if the injunction is not granted;
- (3) The balance of harms between the plaintiff and defendant if the injunction is allowed; and
- (4) Whether the injunction will have an impact on the public interest.⁶

While preliminary injunctions are heavily used in intellectual property cases, they are not appropriate for breach of contract claims. The appropriate remedy for breaching a contract is payment of monetary damages. There is no presumption of irreparable harm in contract law. Thus, the district court’s decision precluding **Jacobsen’s** copyright claim meant that he was not entitled to obtain a preliminary injunction.

Why This Court?

One of the most unusual features of the *Jacobsen* case was the court that heard the appeal. The Court of Appeals for the Federal Circuit was created in 1982 when Congress merged the Court of Customs and Patent Ap-

continued on page 60

peals with the appellate division of the U.S. Court of Claims. This nationwide appellate court has jurisdiction over cases involving international trade, patents, trademarks, and appeals of some administrative agencies, as well as claims of monetary damage against the Federal government. However, the appellate jurisdiction of the court is also limited to only those specific types of cases.⁷ Since copyright is not one of the areas of law that are specifically assigned to the Federal Circuit, the only copyright cases they hear are ones which arise under patent or trademark law. Otherwise, the court does not have proper appellate jurisdiction and can't hear the case.⁸

The only reason why the Court of Appeals for the Federal Circuit was able to hear the *Jacobsen* case was because of his declaratory judgment action to declare **KAM's** patent invalid. As a result, the case arose under patent law, and the Federal Circuit ruled that it had jurisdiction to hear the case. While somewhat controversial, the Federal Circuit's ruling is based on both case law and the original statute enabling the court.⁹

The Ruling of the Court

As with any other type of intellectual property, copyright may be licensed. This can be done through exclusive or nonexclusive licenses. When a copyright owner grants a nonexclusive license, he or she waives the ability to sue for copyright infringement. After all, the user is covered by a license. Under those circumstances, it makes sense that the correct remedy would be a contract infringement case for breaching the agreement. But if the use is pursuant to a license that is limited in scope, and if the user acts outside the scope of the license, the copyright owner can in fact sue for copyright infringement.¹⁰ So the important question is whether the Artistic license is a condition of the license, or merely a covenant (a term of a contract). As mentioned above, preliminary injunctions are available for copyright cases but not for breach of contract claims.

The court began its analysis by reviewing the plain words of the Artistic license: "*The intent of this document is to state the conditions under which a Package may be copied.*"¹¹ (Emphasis added by court.) The opinion also noted other ways in which the terminology of the Artistic license is in accordance with conditional language: "The Artistic license also uses the traditional language of conditions by noting that the rights to copy, modify, and distribute are granted 'provided that' the conditions are met. Under California contract law, 'provided that' typically denotes a condition."¹² The plain language on the face of the document therefore appears to state conditions. "Copyright licenses are designed to support the right to exclude; money damages alone do not support or enforce that right."¹³ The opinion goes on to state:

In this case, a user who downloads the JMRI copyrighted materials is authorized to make modifications and to dis-

tribute the materials "provided that" the user follows the restrictive terms of the Artistic license. A copyright holder can grant the right to make certain modifications, yet retain his right to prevent other modifications. Indeed, such a goal is exactly the purpose of adding conditions to a license grant. The Artistic license, like many other common copyright licenses, requires that any copies that are distributed contain the copyright notices and the COPYING file. ... It is outside the scope of the Artistic license to modify and distribute the copyrighted materials without copyright notices and a tracking of modifications from the original computer files. If a downloader does not assent to these conditions stated in the COPYING file, he is instructed to "make other arrangements with the Copyright Holder." **Katzer/Kamind** did not make any such "other arrangements."


The court therefore ruled that the Artistic license constitutes a condition of the grant of rights. "Copyright holders who engage in open source licensing have the right to control the modification and distribution of copyrighted material."¹⁴ This is not a mere contract term; this language is part and parcel of the conditions for licensing use of the material.

The precedential value of this opinion is that a creator who uses an open source license does not give up his or her rights to the material. **Katzer** had argued that **Jacobsen** had donated his work to the public domain when he gave it away without charging. However, the court agreed with **Jacobsen** that he had in fact granted a conditional license, just as any copyright holder may do. Any use that is beyond the conditions listed in the license (such as selling the work for profit) is outside the scope of the granted rights. Therefore, using an open source license does not invalidate the underlying copyright, and not abiding by the stated terms will constitute copyright infringement.

The Court of Appeals for the Federal Circuit is an unusual place for a major copyright decision. However, because there was a patent claim involved, the court had proper jurisdiction to hear the case. Those who support the copyleft and open source movement can take heart that this strongly-worded decision. In the first scholarly article to analyze this recent case,¹⁵ law professor **Brian Fitzgerald** and his co-author **Rami Olwan** sum up the situation as follows:

This is a landmark decision because it confirms that free and open source software copyright licences [sic]¹⁶ and by analogy open content licences that are similar in style to the Artistic licence are:

- 1) copyright licences;
- 2) which impose licence conditions which if not satisfied can found an action in and the grant of remedies for copyright infringement; and
- 3) are legally enforceable.

This in turn provides individuals, businesses, universities and governments that use these types of licences to distribute and acquire code and content with a greater degree of confidence in their legality.¹⁷ 

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. **Denlow, Morton**. The motion for a preliminary injunction: Time for a new standard. 22-3 *The Review of Litigation* 495, 498-499 (2003). Available at http://www.ilnd.uscourts.gov/libsrv.wku.edu/JUDGE/DENLOW/md_pim2.pdf (last visited November 22, 2008). See also, **Leubsdorf, John**. The standard for preliminary injunctions.91-3 *Harvard Law Review* 525 (January 1978).
4. Law.com Dictionary. "Restraining order." Incisive Media. Available at <http://dictionary.law.com> (last visited November 22, 2008).
5. Law.com Dictionary. "Injunction." See also, Law.com Dictionary. "Injunctive relief."
6. **Denlow** at 497-498.
7. United States Court of Appeals for the Federal Circuit. "About the Court." Available at <http://www.ca9c.uscourts.gov/about.html> (last visited November 22, 2008).
8. *Holmes v. Vornado*, 122 S. Ct. 1889 (2002). See also, **Dabney, James W. Holmes v. Vornado**: A restatement of the "arising under" jurisdiction of Federal courts. Available at http://library.findlaw.com/2002/Nov/11/132405.html#_ftn2 (last visited November 22, 2008).
9. The court based this ruling on 28 U.S.C. §1338(a) and 28 U.S.C. § 1295(a)(1). See also, *Holmes v. Vornado*.
10. **Jacobsen** at 1380.
11. **Jacobsen** at 1381.
12. *id.*
13. **Jacobsen** at 1381-1382.
14. **Jacobsen** at 1381.
15. **Fitzgerald, Brian F. and Olwan, Rami**. (2008). The legality of free and open source software licences: The case of *Jacobsen v. Katzer*. In **Perry, Mark and Fitzgerald, Brian F.**, Eds., Knowledge Policy for the 21st Century. Toronto: Irwin Law (last visited February 2, 2009); available at <http://eprints.qut.edu.au/15148/1/15148.pdf>.
16. Because the authors are Australian and the article is published by a Canadian publisher, they use the "British" spelling of the word "licence."
17. **Fitzgerald and Olwan** at 10-11.

Questions & Answers — Copyright Column

Column Editor: **Laura N. Gasaway** (Associate Dean for Academic Affairs, University of North Carolina-Chapel Hill School of Law, Chapel Hill, NC 27599; Phone: 919-962-2295; Fax: 919-962-1193) <laura_gasaway@unc.edu>
www.unc.edu/~unclng/gasaway.htm

QUESTION: *What is the statute of limitations for filing a lawsuit for copyright infringement against an Internet infringer? How long does someone have to discover the infringement before the statute of limitations begins to run?*

ANSWER: According to section 507 of the Copyright Act of 1976, the statute of limitation for civil actions is three years and for criminal actions is five years. The 1999 amendment to the Act increased the damages but did not alter the statute of limitations. There are two schools of thought about when the statute of limitations starts to run. In the 7th Circuit, if the wrong is a “continuing wrong” then the three or five years starts to run when the last act occurred.

The second view is the rolling statute of limitations theory which says that the plaintiff may look back for three years for damages after the date that the suit is filed. This is the 9th Circuit approach and it is the preferred view.

QUESTION: *An academic library wants to put a copy of an out-of-print video in the reserve collection. May the library place on reserve a copy owned by faculty member or must the library actually own the copy? May it duplicate a copy for the library from the faculty member’s copy?*

ANSWER: Typically, either the institution or a faculty member in the school should own the copy of the work placed on reserve, but which one does not matter. However, there is no provision in the Copyright Act that permits libraries to reproduce a work and add it to the library collection just because the work is out of print. Had the library once owned a copy of the video and then lost its copy, section 108(c) would permit the library to make a replacement copy after it made a reasonable effort to obtain an unused copy at a fair price.

QUESTION: *A library is in the midst of a digitizing project for public domain books which will be deposited in Open Content Alliance after scanning. The library has several titles published before 1923 and then reprinted before 1978. The name of the re-*

printing publisher and a date appears on the title in some cases, but there is no notice of copyright on the verso. Are these works in the public domain? Would they not still be under copyright if they were reprinted after 1978 since no notice would be required after that date?

ANSWER: When a book is reprinted, it does not earn it a new copyright. The “guts” remain under the old copyright. The only thing that might get a new copyright is any new material added such as a preface, a foreword, etc. If the works were first published in the United States before 1923, they are in the public domain. Reprinting these works did not change the copyright status of the original works.

Even if the work were not public domain, the lack of a copyright notice is not necessarily determinative. It depends on the publication date. After 1978, if the copyright notice were accidentally omitted and the copyright owner went back within the first five years after publication

and tried to correct the error by placing notice on unsold copies, the copyright was not lost. So, lack of a notice for works published between 1978 and 1988 may mean that they are the public domain, but not necessarily. After 1989, copyright notice became optional, but this is irrelevant if the work is in the public domain.

QUESTION: *A university professor is teaching an online course and wants to provide a link to a song that she personally purchased from iTunes. Access would be restricted to students enrolled in the course, and the intent would be for them to listen to the song, not download it. Will this require permission from the copyright owner to provide the link?*

ANSWER: The professor purchased a copy for her own use. She will need permission to make it available more widely. The link was just for one person — now she wants not only to make it available for a class but likely

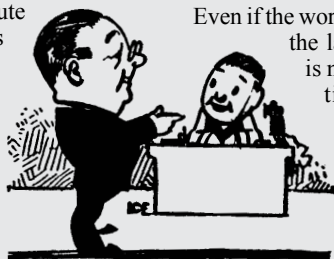
it will be required listening. Thus, permission is necessary.

QUESTION: *“If it is part of the course content, may a video be streamed online for a specific group of students in a specific class, for a specific duration through the course learning management system”? The Information Technology department of the community college has been telling faculty members that they can stream no more than 10% of a video.*

ANSWER: The simple answer to the first question is yes, but all of those “specifics” make a significant difference. Section 110(2) of the Copyright Act, the TEACH Act, details all of the specifics about performing and displaying copyrighted works in a transmitted portion of a course. Streaming is the preferred technology for showing video in a transmitted course or portion of a course since it does not permit students to download the copyrighted work. However, there is a limit as to how much of a copyrighted work may be performed without permission of the copyright owner. If the work is a nondramatic literary or musical work, the entire work may be performed. But if the work is an audiovisual work, then only a limited and reasonable portion of the work may be streamed (performed).

It appears that the community college has interpreted a reasonable and limited portion to be 10% or less of a video. While this might be a reasonable and limited portion, it may also be far too restrictive. A reasonable and limited portion could be 20% or 25%, but it is less than the entire work. The Register of Copyright’s 1999 Distance Education Report said that one judges what constitutes a reasonable and limited portion not only by looking at the copyrighted work itself, but also at the level of the course, the teacher’s purpose in using the clip, etc. So there is no absolute percentage in the statute.

As a matter of policy, however, an institution can define a reasonable and limited portion as any specific percentage, but that percentage may be more or less than the statute allows in a given situation. 🍌



Cases of Note — Copyright

When Copyright Infringement Means Go To Jail

by **Bruce Strauch** (The Citadel) <strauchb@citadel.edu>

United States of America v. Muza Kim, Steve Kim, a.k.a. Gyu Young Kim, United States Court of Appeals For The Eleventh Circuit, 2009 U.S. App. LEXIS 385

Star Graphics of Doraville, Georgia was in the business of silk screening on garments. Along with that, the owners **Muza Kim** (68) and son **Steve** (39) enjoyed counterfeiting clothing bearing the image of “**Cosby Kids**” copyrighted cartoon character “**Fat Albert**,” leader of the Junkyard Gang in “**Fat Albert and the Cosby Kids**.”

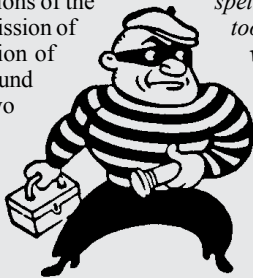
“Hey hey hey!”

Steve Kim had been previously convicted of criminal trademark counterfeiting, but somehow failed to learn his lesson. Now as VP and Art Director of **Star Graphics**, he chose to dress up the iconic “**Fat Albert**” in bling-bling and a dew rag and call him “**Big Face**.”

Yes, they wrote “dew” in the opinion. There’s no hope for those law review nerds who clerk for judges and do all their work. Utterly out of touch. No street cred. Wouldn’t last the night in the Courvoisier Lounge rollin’ with the new jack crew.

Our larcenous duo were charged with reproducing and distributing depictions of the said “**Fat Albert**” without permission of the copyright holder in violation of 17 U.S.C. § 506(a) and were found guilty by the jury. **Steve** got two years in the slam and **Daddy Muza** one year.

Indignant at what they saw as a travesty of justice, they appealed to the Eleventh Circuit (Ala., Ga., Fla.)



which of course is in A-town, home of OutKast, Lil Jon, Pastor Troy, Goodie Mob and the Ying Yang Twins. I mean we talkin’ hop hop capital of the South. Just where **Phat Albert** had best be seen stylin’ in a do-rag. No diggety. Ay yo trip. Check it out.

The Appeal

Evidence is viewed in accepting all reasonable inferences and credibility choices in favor of the jury’s verdict. *United States v. Tinoco*, 304 F.3d 1088, 1122 (11th Cir. 2002). Which is to say, the verdict stands unless their decision was so out of touch with reality that no reasonable jury could have made such a finding of fact. *United States v. Ndiaye*, 434 F.3d 1270, 1294 (11th Cir. 1986).

For criminal infringement, there must be (1) an infringement; (2) done willfully; (3) for commercial advantage or financial gain. 17 U.S.C. § 506(a); *United States v. Goss*, 803 F.2d 638, 642 (11th Cir. 1986).

The **Kims** argued that clean-cut **Fat Albert** would not be caught dead in a do-rag.

Although they wrote it “dew rag” once more and the words are separate but not with a hyphen. Uh-oh. Are we dealing with that spelling corrector on a PC and law clerks too lazy to fight with the thing to make it write right?

And they seemed to think it important that the copyright owner of **Fat Albert** would never have approved of him in a dukey rope and other bling like that so ipso facto they had not stolen the valuable essence of **Albert**. Foshizzle.

However, you can infringe a work

without doing an actual reproduction. See *United States v. O’Reilly*, 794 F.2d 613, 615 (11th Cir. 1986). Substantial similarity will do. It is not a defense that you did not steal the whole thing. *Id.*

The jury looked at images of **Fat Albert** and **Big Face**. It was their role to determine differences and similarities and find infringement based on the similarities.

The **Kims** said there was no evidence of willfulness. But **Steve** was Art Director, and the fact he had been convicted of this before would seem to show a certain familiarity with the law of the case. And there was evidence that **Muza** had told buyers of the goods, and he was aware they were unlawful.

Motion For Severance

Mid-trial, **Daddy Muza** began to sense son **Steve’s** prior conviction was posing a problem and chose to throw him under the bus. He made a motion to sever his trial and do it separately, claiming his son’s criminality would prejudice the jury and make it impossible for them to see what an innocent chap **Muza** was.

But, jointly indicted defendants are typically tried together. The trial judge should “balance the right of the defendant to a fair trial against the public’s interest in efficient and economic administration of justice.” *United States v. Baker*, 432 F.3d 1189, 1236 (11th Cir. 2005).

I mean, they were the two members of the company that pirated the image.

And so at the end of this fascinating appeal our trial court conviction was affirmed and our cheerful, well-scrubbed **Fat Albert’s** image is safe once again. Know what I mean? 🐾