INTERNATIONAL ASSOCIATION
OF YOUNG LAWYERS

Are you Open Source compliant? Understanding OS licensing in preparation for the Internet of Things

Corporate Counsel Commission
IP/TMT Commission

Prague 2014 – Workshop WS07

General Report

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1. Description of the Workshop

It all started with Stallman's slogan saying to "think free as in free speech, not free beer" but year after year, open source software has slowly taken over in several fields. Open source licenses, however, can be really challenging for lawyers, not only for the issues related to their compatibility with and enforceability within national legal systems (or lack thereof) but also under a number of other profiles, such as their contaminating effect (often a tiny OS element is capable of attracting into OS a much more complicated software) and the compatibility among different OS licenses. For this workshop, the IP/IT and the Corporate Counsel Commissions have joined forces to provide to all lawyers (and not only IT lawyers or tech-lovers) some valid instruments to deal with open source licenses. This workshop will also aim at providing to all lawyers – whether or not they are inhouse – the right knowledge to ensure awareness and compliance on this issue that can have, whichever is the industry involved, a disruptive impact if not correctly managed; an awareness that might become even more strategic as the internet of things is developing, extending the use of software – often OS – to the most various devices.

2. Modus operandi

In our AIJA workshop in Prague, we will present ways to ensure compliance with Open Source for clients and companies in various industries, i.e. not only for software developers.

Since OS challenges the concept of national laws, the workshop is not aimed at dealing with OS compliance issues from the perspective of national laws, but rather from practical issues that arise across the jurisdictions. The National Reports are intended to set the stage for the workshop. Instead of traditional National Reports, the questionnaire provided to the reporters focused on case law and practice in contract drafting and compliance.

The reporters did not have to strictly follow the questionnaire and were explicitly encouraged to think "out-of-the-box" and share their experiences with OS issues. The questionnaire served as mere guideline to help structure the ideas.

Our national reporters were:

- Christine Borfiga, Astine, and Jérôme Debras, Woog & Associés, France
- Árpád Geréd, Maybach Görg Lenneis & Partner Rechtsanwälte, Austria
- Cristina Hernández-Marti Perez, Bufete Hernandez Marti S.L.P, Spain
- Ave Piik, Attorneys at Law Borenius, Estonia
- Barbara Sartori and Marco Tieghi, CBA Studio Legale e Tributario, Italy
- Stefanos Tsimikalis, Tsimikalis Kalonarou, Greece

- Griet Verfaillie, Peeters Advocaten, Belgium
- Anna Wojciechowska, Wierci ski Kwieci ski Baehr sp.k., Poland

This General Report highlights key findings from the National Reports and provides general ides of the legal issues relating to Open Source Software and the Internet of Things.

3. Key Findings

3.1 Compatibility of Open Source licenses with local laws

French law provides that the transfer of copyrights is subject to each of the assigned rights being separately mentioned in the transfer agreement and the exploitation of the assigned rights being defined as to its scope and purpose, territory and duration. The definition of such rights is of public order. As Christine Borfiga and Jérôme Debras point out in their report, most of the OS licenses do not provide for the above details and, hence, would in theory not validly transfer copyrights under French law. Further, exclusions of warranties and limitations of liabilities which are often included in OS licenses may not be valid under French law.

Griet Verfaillie mentions another controversy in Belgium with respect to the obligation of a developer who modifies software under a copyleft license term to release the source code of the adapted software. Most OS licenses permit the distribution of adapted works provided that it will be licensed under the same OS license, which implies the release of the source code. Distribution in violation with these terms can be perceived as a copyright infringement or as a breach of the license contract. From a copyright perspective, the developer can be obliged to cease and desist the distribution of the work but will not be forced to hand over the source code. Whereas, from a contractual point of view, it can be argued that the developer is contractually obliged to release the source code of the adapted work.

In Greece, it has been discussed whether or not the terms of the General Public License are binding, in particular regarding the obligations the counterparty has towards third parties. As our reporter Stefanos Tsimikalis explains, it is generally accepted that the license terms apply *erga omnes* and not only between the proprietor of the software and his counterparty.

Anna Wojciechowska explains that under the Copyright Law of Poland, the licensor is entitled to remuneration if there is no explicit provision that the license was granted for free. Thus, from a licensee perspective, in an OS license under Polish law there should be an explicit provision excluding remuneration.

3.2 Enforceability of Open Source licenses

In Belgium, OS licenses are considered as *sui generis* license agreements, which are valid and can in principle be fully enforced. However, the license terms of the different OS licenses are not airtight and haven given rise to legal controversies. For example, for license terms to be binding on the parties, the user must have gained knowledge of them or must have had the reasonable possibility to take knowledge of the terms and conditions. It is controversial in Belgium whether it is sufficient if the license terms are provided by means of a hyperlink (*browse-wrap)* only.

According to Ave Piik, a related issue on the validity of an OS licence agreement is often raised in Estonia where (non-exclusive) licence agreements have to be made in a format that can be reproduced in writing. It can be argued if downloading a OS-licensed product meets this format requirements since such licence, for example, often does not specify the name of the licensee. The Estonian Supreme Court resolved, however, that that an author's contract in terms of the Copyright Act does not become void upon failure of the parties to comply with the requirement of the written format. The Supreme Court argues that considering an author's contract void due to the failure of the parties to comply with the requirement of the written form would harm the author's rights unjustly, i.e. it would deprive the author of the rights acquired under the contract and the other party would be released from obligations assumed by the same.

OS license terms may also conflict with rather particular consumer protection regulation. For example, the use of French language is mandatory for OS licenses contracts entered into with consumers or public entities. Non-compliance with this language requirement leads to invalid contracts.

With respect to issues on the validity or enforceability issues of OS terms, Christine Borfiga and Jérôme Debras mention the fact that no one has any interest in challenging the validity of the license terms. The user of the software cannot use, copy, modify and distribute the software without having a licence. If the user challenges the license, this means that he has no particular rights in this respect. On the other hand, the author / developer of the software usually does not want to challenge the validity of the license as this would jeopardise the position of his product on the market.

On the other hand, as Cristina Hernandez-Marti Perez from Spain notes, local laws (like Spanish law) protect consumers against abusive clauses, and give certain minimum legal guarantees to consumers such as a warranty as to the smooth running of the software and the obligation to cure defects.

3.3 Case law

A court in Belgium awarded damages to six artists who created a music album and placed it on the Internet under the creative commons license 2.5. The license terms authorised the public use of the music under the conditions that

- the origin of the work was indicated

- the work was not used for commercial use

- no derivate works were permitted.

The defendant, an organiser of festivals, used the music to promote its new festival season of 2008 without the consent of the claimants and without respecting the licenses conditions. The defendant argued that it acted in good faith and that it was not aware of the existence of the license. However, the court ruled that the creative commons license was valid and applicable and given that the defendant can be considered as a professional, it has a duty to properly inform itself concerning the specific conditions of the license. Hence, the good faith defense was rejected and damages were awarded to the claimants.

Árpád Geréd tells in his report about the only known case involving Open Source licences in Austria. The case – which was settled out-of-court –was around a health card-reader which was powered by a Linux system. The homepage of the distributor of this card-reader did not provide copies of the applicable licenses nor the source code of the software used by the device. When confronted with these shortcomings by an organization of the Open Source community, the distributor complied with the relevant license terms.

The French reporters report on several case law involving Open Source issues. Amongst these cases, a French court held that software contained in the components of a product which is subject to a contaminating OS license is not compatible with the right to exclusive use granted by the provider of the product in the contract with the purchaser.

It appears that government bodies play a major role in raising the awareness of Open Source for business applications. In particular, several reporters refer to case law or practice relating to Open Source software in connection with public procurements. In Italy, public administrations are even obliged to give priority to free and open source software, as Barbara Sartori and Marco Tieghi report.

3.4 Compliance issues

Several reporters point out that particular attention should be paid to anticipate the risk of OS contamination. For instance, if an employee uses software under a copyleft licence, the employer can be required to make available the source code of its derivative work to all users when distributing the software. Recommendations include

- defining a policy regarding the use and maintenance of Open Source software codes in their own developments;
- tracking of OS components and using a OS components database;
- instructing and training employees on the risks attached to the integration of OSS in products developed or used by the company;
- assessing and ensuring the compatibility of OS licenses with other license used by the company;
- auditing the software used and developed by a possible target or purchased from a third party to verify if it contains OSS.

Since the employer often is not aware in detail on the source codes developed or used by its employees, it is advisable that the employment contract would contain provisions in this regard. This is even important if the applicable employment law provides the employer becomes automatically the holder of all copyrights in the software developed by its employees in connection with the employment relationship. In particular companies that develop software should ensure that none of the developers introduce Open Source code or components without permission. Instruction of the developers is key. Retrospective code audits are often not economically and/or practically feasible and should best be supported by additional contractual measures to provide additional incentives for compliance.

Christine Borfiga and Jérôme Debras further recommend that an obligation upon developers to create original code and transfer rights on developments should be included in software development contracts, especially in subcontracting agreement. No OSS should be included in the development provided by subcontractors without the prior written consent from the customer.

Moreover, when licensing software that includes OS components, the agreement should specify which parts of software are subject to specific OS terms and conditions and exclude any liability as regards such OS components. The license should precisely indicate the terms and conditions of the OS license, in particular if such OS license has a contaminating character.

3.5 Open Source in non IT-related industries

It has been observed by several reporters that OS compliance issues, for example raised in M&A transactions, are often ignored even if potential compliance issues are known. The reasons for this ignorance may be to save costs but also due to the lack of awareness of the topic. As Ave Piik puts it: The general view is, erroneously, that since OSS is “open” or “free” no obligations arise from respective licences.