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## OPEN SOURCE SOFTWARE: A SURVEY OF CURRENT LEGAL ISSUES AND BEST PRACTICES

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Open source software ("OSS") is playing an increasingly important role in the software industry and the business world in general as it offers significant advantages over proprietary software. The purpose of this article is to examine the legal issues surrounding the use and distribution of OSS. After a brief overview of the history of the open source movement and a discussion on the various types of open source licences that exist, we will examine recent cases and settlements and finally, conclude by providing advice on the best practices relating to OSS.

OSS can be described as software distributed in source code format pursuant to a licence whereby the licensee is given the permission to modify and distribute the software freely.

### Origins of OSS

#### The Birth of Free Software

The birth of the Open Source movement can be retraced to Richard Stallman's release of the GNU operating system in 1983 and the creation of the Free Software Federation ("FSF") in 1985. Mr. Stallman wanted the software development community to have access to software source code, as well as the freedom to alter and redistribute it so that developers could assist each other and ultimately improve the shared software. At

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the time, such freedoms were significantly restricted by the licences under which most software programs were released. Mr. Stallman believed that the solution was to release software (in this particular case, an operating system) which he made freely available to the public, intending it to be an alternative to the popular UNIX operating system. GNU is in fact an acronym for “GNU is not UNIX”.

Simply releasing software free from the usual restrictions on use and distribution was not sufficient, however, to ensure that such software would remain “free”. The risk remained that someone could modify this free software and later attempt to restrict its circulation by integrating into it its own proprietary software code. Therefore, in 1989 Stallman released the first version of the GNU General Public License (“GPL”). The GPL is an early example of a so-called copyleft licence and was intended to ensure that software distributed under it would remain free from the many restrictions that typically applied to the use of software.

A Finnish computer science student named Linus Torvalds made one of the most important contributions to the free software community when he released the Linux kernel under the GNU GPL in late 1991. A kernel is a component found in operating systems which connects the application software to the hardware of the computer.

## The Open Source Initiative

The next major step in the open source movement came in 1998 with Netscape’s decision to release the

source code to its web browser as free software. This decision was influenced in part by an essay written by Eric Raymond entitled *The Cathedral and the Bazaar*.<sup>1</sup> Mr. Raymond championed the many advantages of a community-based model, pointing out that the free exchange of ideas and the ability to modify and distribute source code would result in a better overall product.

Netscape’s decision to depart from the usual proprietary model of software distribution led a group of developers to reconsider the underlying tenets of the free software movement. They decided to break from the “antibusiness” image associated with the movement and created the Open Source Initiative (“OSI”), a not-for-profit corporation dedicated to promoting the use of open source software. OSI members coined the term “open source” as a more commercially appealing label for the model of free software they were advocating. The objective was to promote the commercial benefits of software that could be tested and improved upon by a community of active users.

## Differences Between Open Source and Free Software

The OSI and the FSF have many similarities and common goals. According to the FSF, in order for a program to be considered free software, its users must have four essential freedoms: the freedom to run the program for any purpose, the freedom to study and change it, the freedom to redistribute copies, and the freedom to modify the program and distribute copies containing that modification.

According to the OSI the open source definition requires that software comply with ten criteria<sup>2</sup> that are similar to those found in the FSF definition. Although there are some differences between the definition of “open source software” and “free software”, the former is commonly used to refer to both forms of licensing. It should be noted that the freedoms mandated by both definitions emphasize the freedom of use and modification of source code. That being said, OSS does not necessarily imply that it be distributed free of cost.

## Open Source Licensing Regimes

Let us now turn to the various licensing regimes that have emerged from the open source movement.

### Copyleft: Share & Share Alike Licences

Among all open source licensing models Share & Share Alike Licences (“SSAL”) are considered the most onerous because they generally contain so-called copyleft requirements. While copyright laws tend to restrict a user’s ability to modify and distribute software programs, SSAL licences require instead that the user be granted such

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rights. A typical SSAL will allow users to copy, modify or distribute the licensed software program so long as they agree to release any modifications or improvements they make under the same conditions of licence.

One of the most popular SSAL licences is the GNU GPL. The GPL is a restrictive licence that does not allow licencees to make their modified versions proprietary. In other words, developers of software released under the GPL are permitted to modify the released software but must share all their modifications under the same GPL terms. One of the risks of using or contributing to OSS released under a GPL or another SSAL licence is that any proprietary code or software combined with the OSS can become subject to the GPL. Understandably, this is of great concern for investors in software companies, as it can greatly diminish the value of such companies.

That said, it is important to remember that the GPL only requires licencees to release their modifications under the GPL if they decide to make them public. Consequently any modifications or enhancements to OSS used exclusively for internal purposes will not be subject to mandatory disclosure under the GPL. Moreover the GPL provides that when distributing collective works where various components are separately identifiable, the copyleft obligations will only apply to those components licensed under the GPL. Therefore, it is possible to distribute proprietary software along with OSS licensed under the GPL so long as the OSS and the proprietary software are not considered to be so intertwined as to constitute a unitary whole.

The GNU GPL has undergone significant changes since it was first released in 1989 and is currently available in its third version, which was released in 2007. One major change to the licence involves an effort to prevent what is commonly known as “Tivoization”. This occurs when a product using OSS makes the source code available, but imposes hardware locks that prevent modified versions of the code from being used on the device. While the GPL allows such devices to be used it also requires that users retain the freedom to remove them without facing any legal repercussions. Another change to the GPL deals with patent rights encumbering OSS. Under GPLv.3 licensors must grant downstream licensees the freedom to use and distribute the OSS regardless of any patents attached to it.

## Attribution-Style Licences

At the other end of the licensing spectrum are Attribution-Style Licences (“ASL”) which are generally viewed as less restrictive than Share & Share Alike Licences. A well-known ASL is the Berkeley Software Distribution (“BSD”) licence. This licence does not contain any copyleft obligations, which means that users are free to modify and distribute software released under the BSD without having

to distribute the source code of the modified program. The main obligation is to attribute credit to the authors of the OSS in the end-user documentation. This allows software released under the BSD to be combined with proprietary software without the copyleft constraints of the GPL.

Another common ASL is the Mozilla Public License (“MPL”), which is less permissive than the BSD but more permissive than the GPL. Netscape, for example, released its web browser under the MPL. The MPL was designed in an effort to combine the best features of both the BSD and the GPL. The MPL requires that modifications to the source code licensed under it must be made freely available if released to the public. However, any proprietary *additions* to the MPL-licensed code do not have to be published. This means that software containing MPL-licensed components can remain proprietary as long as the MPL components have not been altered.

## Enforceability of OSS

Let us now turn to the issue of the enforceability of OSS licences. To date there are no cases in Canada dealing with OSS. However U.S. courts have found in some instances that OSS licences were enforceable. Given the similarities between Canadian and U.S. copyright, there is a good argument to be made that OSS licences could be enforceable in Canada as well.

In the American case of *Jacobsen v. Katzer*,<sup>3</sup> Robert Jacobsen, a leading member of an open source community that developed OSS for model trains, accused Matthew Katzer, CEO of Kamind Associates, Inc. a software company that developed proprietary software for model train enthusiasts, of having infringed its Java Model Railroad Interface (JMRI) software. JMRI had been licensed under an open source licence called the Artistic License. Katze’s company had included JMRI software in its software but had failed to comply with the attribution requirements of the Artistic License. The United States Court of Appeals for the Federal Circuit found that the Artistic License was valid and enforceable and that failure to comply with its requirements constituted a breach of U.S. copyright law.

A similar decision was reached by a German court in the case of *Welte v. Sitecom Deutschland GmbH*.<sup>4</sup> In that case, Sitecom was accused of distributing GPL-licensed code without identifying the code as being licensed under the GPL, or providing the source code to the distributed software. The court ruled that the GPL was a valid and enforceable licence under German law and awarded the plaintiff injunctive relief and damages. The validity of the GPL in Germany was reinforced in 2007 when a German court convicted Skype of violating that licence by selling a Linux-based phone without meeting source code disclosure requirements.<sup>5</sup>

Many lawsuits involving OSS have settled before being tried. For example, several actions were launched in the United States by the Software Freedom Law Center on behalf of a company named BusyBox Software. In each of these suits it was claimed that the defendants had distributed products containing BusyBox software without releasing the modified source code as required under the GPL. Defendants such as Verizon Communications Inc. settled with BusyBox for undisclosed amounts and agreed to comply with the requirements of the GPL. Even if not judicially considered, these cases and ensuing settlements illustrate that there is clear recognition of the binding and enforceable character of OSS licences.

It should be noted in passing that there are several challenges involved in attempting to enforce OSS licences. First, there is a variety of OSS licences, some of which are incompatible with one another. For example Share & Share Alike licences are considerably more stringent than Attribution-Style licences. Consequently software components licensed under each of these two regimes cannot be easily integrated into the same overall solution. Different versions of the same licence can also be incompatible. For example, despite what users may think, the GPU GPLv.3 and the GPU GPLv.2 are different licensing schemes and are not compatible.

Applying or agreeing on the governing law presents another challenge. Open source licences are not necessarily governed by the law of the country where they originate. People often erroneously assume that the GPL is governed by the laws of California; in fact, no governing law is identified in the GPL. This means that the governing law depends on a number of factors such as the location of the parties involved and the nexus of the project with the jurisdiction. If the plaintiff and the defendant reside in Canada and the claim involves software created in Canada then, even if it is licensed under the GPL, Canadian copyright law should normally govern. However, the situation becomes much more complex when the plaintiff, the defendant, and the authors of the OSS all reside in different countries.

## Patent Rights and OSS

The effect of software patents on the use and distribution of open source software has yet to be fully considered by the courts in this country or in the United States. Although some open source licences, such as the latest version of the GNU GPL, have attempted to deal with the issue by inserting conditions that address concurrent patent rights (as previously indicated, the GPLv. 3 requires that software licensed under the GPL be distributed regardless of the patent rights attached to it), it is unclear whether a court would enforce such conditions.

Several patent infringement claims involving OSS in the United States have been settled out of court. A major

example is the Firestar–Red Hat settlement in 2008. Firestar Software Inc., a software development company, claimed that Red Hat Inc., an open source software provider, had infringed one of its patents. Red Hat argued not only that its products did not infringe Firestar's patent but that the patent was invalid. Interestingly enough, the terms of the settlement resulted not only in the protection from patent infringement claims of all products distributed under the Red Hat banner, but also the protection of all derivative works based on such products.

In early 2009 a patent lawsuit involving Microsoft Inc. and TomTom International BV was settled, on notably different terms. As part of the settlement, TomTom was required to pay Microsoft for patent protection for those patents Microsoft claimed had been infringed. In addition, Microsoft received access to certain TomTom patents free of charge. In a public statement made by the parties, it was said that the settlement would provide TomTom with patent coverage in a manner fully compliant with TomTom's obligations under the GPL. However, unlike *Red Hat*, this case appears to have been settled largely in favour of the patent holder.

Interestingly, the open source community has taken active steps to reduce potential claims from patent holders. For example, groups such as the Open Invention Network (which enjoys the support of industry giants such as IBM and Sony Corp.) acquired 22 Linux-focused patents from Microsoft in September 2009 to ensure that they would not fall into the hands of entities that would seek to assert patents against Linux products.

Although software is considered patentable in the United States, it does not enjoy the same degree of protection in Canada. In an early Canadian case dealing with the patentability of software,<sup>6</sup> the court stated that there was nothing in the *Patent Act* excluding inventions involving computers. However, Canadian patent authorities have been reluctant to allow software to be patented if it is not combined with some kind of hardware. Therefore, the problem of software patents conflicting with open source licences is less of a concern in Canada.

## Business Considerations When Using OSS

### Benefits of OSS

There can be significant benefits to using OSS, many of which stem from the fact that a community of users is continuously trying to improve the product and its functionalities. This means that OSS is constantly evolving and that the time and costs associated with its development are shared throughout a community of users. Furthermore, users of OSS do not need to rely on a single distributor for support. In contrast, proprietary software is often more

expensive to develop, since its owner is solely responsible for the creation, testing, and improvement of its product.

A company's decision to release software as an open source project can lead to a strategic advantage over its competitors because of the contributions of a large number of developers. It can also expedite the commercialization and improve the overall quality of the end product, because it will have benefited from extensive testing by a large number of users.

Finally, releasing software under an open source licence can be beneficial for a company's public image, as it will be seen as a contributor to the software community. Netscape's release of the source code for its Mozilla program is not the only example of a large corporation distributing OSS. Companies such as Microsoft, the Walt Disney Company, and Sony have all released OSS in recent years.

## Risks Associated with OSS

Some of the same characteristics that make open source software appealing can also present serious risks. For example, the large community of users who can significantly improve the quality of software can also easily give rise to copyright infringement. Since open source software is subject to contributions from hundreds, even thousands, of users, there is a high risk that infringing content may be integrated along the way.

As indicated previously, depending on the OSS licence companies using OSS may become obligated to share modifications and enhancements on which they have spent significant resources. This is particularly true where the software is subject to a licence such as the GPL with strong copyleft obligations.

Finally, there are particular risks associated with acquiring or investing in companies that use or have used OSS as it can greatly diminish their value in the event the OSS licence taints their proprietary software.

## Best Practices When Using OSS

It should now be clear that while the use of open source software can offer benefits to a business, it is not risk free. To avoid the pitfalls we have identified, certain precautions should be taken.

The first step is to establish a policy regulating the use of OSS within a company. Such a policy should set out the company's approach to using OSS, including precautions to ensure compliance with all applicable licences and to prevent infringement.

Before adopting such a policy, however, a company should conduct a thorough software audit to determine which code it currently uses and which licences apply to that code. This will allow the company to segregate OSS

code from proprietary code and determine if there is currently any noncompliance or infringement.

A company may also wish to appoint an open source compliance officer to ensure that it abides by the terms of any applicable licences, to prevent licence violations before they occur, and to determine which licence applies to the OSS the company is planning to use.

The open source movement has led to an increase in both the use and distribution of this unique form of software. It is now ubiquitous in all major office platforms. It is undeniable that OSS offers advantages over proprietary software. However, as we have seen, there are risks associated with its use. When determining whether to use OSS or to release a program under an open source licence, conducting proper research and obtaining expert advice is highly recommended.

### Notes:

<sup>1</sup> Eric S. Raymond, *The Cathedral & the Bazaar* (O'Reilly & Associates 1999).

<sup>2</sup> (1) the software must be freely distributed; (2) the software must be distributed in source code as well as compiled form and a publicized means of obtaining the source code; (3) modifications and derived works must be distributed under the same terms as the licence of the original software; (4) software built from modified source code must be distributed; (5) the licensing terms must not discriminate against persons or groups of persons; (6) the licence must not restrict anyone from using the program in a specific field or endeavor; (7) the licensing rights must apply to all to whom the program is redistributed; (8) the licensing rights attached to the program must not depend on the program's being part of a specific program; (9) the licence must not place restrictions on other software distributed along with the program; and (10) the licence must be technology neutral.

<sup>3</sup> 535 F.3d 1373 (Fed. Cir. 2008).

<sup>4</sup> No. 21 O 6123/04 (Dist. Ct. Munich 2004).

<sup>5</sup> *Welte v. Skype Technologies SA* (High Dist. Ct. Munich 2007).

<sup>6</sup> *Schlumberger Canada Ltd. v. Commissioner of Patents*, [1981] 56 C.P.R. (2d) 204 (FCA).