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The GPL prevails: An analysis of the first-ever Court decision on the validity and effectivity of the GPL

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Abstract

After many years of mostly academic debate about the legal character of the GNU General Public License (GPL) as well as its validity and enforceability, a Munich District Court issued the first-ever judgement dealing with a number of topics in the centre of the discussion. This paper outlines the facts of the case as well as the ratio decidendi of the Court. In addition, it aims to identify and comment on the questions of law underlying the decision.

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1. Introduction

On 19 May 2004 a Munich District Court voiced its opinion on the validity and enforceability of the GNU General Public License (GPL), so frequently used in licensing open source software.[1] As so far as such a statement can be made, it has been the first time up to this date[2] that a court has decided on some of the crucial questions of law related to the GPL.[3] The judgement has thus been received with great attention both in Germany and internationally.

Free software or open source software has in recent years left the realm of the ´computer freaks´ where it had in its early days mostly spent its existence. Today it is not only used to a great extent in server and internet technology but has entered many end users' and businesses' desktops. It is by now common ground that open source software is not only a philosophy but has an ever growing technological and economic significance. For these reasons, it is obvious that, aside from technological and economic questions, a multitude of legal questions have arisen, many of which have not yet found a definite answer.[4]

The GPL was drafted to work – i.e. be valid and enforceable – in all legal systems. It is obvious that such goal cannot be easily achieved as copyright law varies significantly from country to country, not only as to the legal provisions in detail but as to the very principles underlying the respective copyright system. Especially the fundamental difference between the Anglo-American tradition of founding copyright law on the idea of protecting investments and the Continental European droit d'auteur can be mentioned in this context. In addition, questions of contract law have to be addressed, since the license will generally be used in the context of standard terms of business.

2. The facts of the case

The plaintiff, Mr Harald Welte, is a German software developer. He is a member of the open source project "netfilter/iptables" and in this context as the so-called 'maintainer' the chief person in charge of software development. The software is offered for download and can be used under the conditions of the GPL to which reference is made on the corresponding website.[5]

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[1] *Final Judgment of the District Court of Munich I, issued 19 May 2004 – 21 O 6123/04. The original judgement can be found @:* < http://www.jbb.de/urteil_lg_muenchen_gpl.pdf >. *A translation has been provided for @:*

< http://www.jbb.de/judgment_dc_munich_gpl.pdf >.

[2] *The last research was conducted on 30 September 2004.*

[3] *In the* MySQL *v* NuSphere *lawsuit the GPL came close to be examined in court, but the case was ultimately settled out of court in 2002. In the infamous* SCO Group *v* IBM Inc. *lawsuit the GPL might in the end be subject of a court ruling, but, as the case is still ongoing and will be so for a while yet, interested parties will have to wait and see on the issue.*

[4] *For a comprehensive collection of legal materials concerning the GPL both in Germany and internationally, visit the website of the Institut für Rechtsfragen der Freien und Open Source Software (ifrOSS) @:* < http://www.ifross.org/ >.

[5] *The GPL can be downloaded @:* < http://www.gnu.org/copyleft/gpl.html >.

The defendant is the German subsidiary of the corporation Sitecom Europe B.V., which has its seat in the Netherlands. Sitecom inter alia advertised and distributed a particular Wireless Network Broadband Router through its website. The firmware which was included in the corresponding offer was made available for download. That firmware contained the Linux kernel including the software "netfilter/iptables" in object code and in this context also the software modules "PPTP helper for connection tracking and NAT" and "IRC helper for connection tracking and NAT" which were entirely and exclusively programmed by the plaintiff.

Sitecom had on its website neither made reference to the fact that the firmware contained software that was licensed under the GPL nor did the website contain a reference to the license text of the GPL or the source code of the software "netfilter/iptables". In addition, Sitecom did not point out that the products contained software licensed under the GPL when delivering the router itself.

The plaintiff's counsel – inter alia – argued that the defendant infringed upon the plaintiff's copyright by offering the software "netfilter/iptables" for download and promoting its distribution without abiding by the license conditions of the GPL. The plaintiff plead for judgement against the defendant demanding that the defendant be enjoined from

> *distributing and/or copying and/or making available to the public the software "netfilter/iptables" without at the same time – in accordance with the license conditions of the GNU General Public License, Version 2 (GPL) – making reference to the licensing under the GPL and attaching the license text of the GPL as well as making available the source code of the software "netfilter/iptables" free of any license fee.*

In its Final Judgment the Court arrived at the conclusion that the distribution of the software without complying with the conditions of the GPL constitutes an infringement of copyright leading to a claim for injunctive relief pursuant to §§ 97, 69a, 8 Abs. 2; 15 UrhG.[6] For this decision the Court – inter alia – drew upon the following reasons.

3. The application of German law

The Court opined that the question of whether the defendant had become holder of rights of use had to be answered applying German law.

The Court referred to one leading decision of the German Federal Court of Justice, according to which the prevailing principle of territoriality applies to all questions related to authorship and the protection offered by copyright statutes.[7] Thus, German copyright law – the law of the country for which copyright protection was sought – was applied to the questions concerning the protection of copyright and the content and scope of the grant of non-exclusive rights of use and their possible termination, in particular.

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[6] *'UrhG' is the common abbreviation of 'Urheberrechtsgesetz', i.e. the German Copyright Act.*

[7] *BGH NJW 1998, at 1395, 1396* – Spielbankaffaire. *This decision is concurrent with the prevailing legal opinion, see, e.g., G Schricker (ed),* Urheberrecht, *2nd ed (1999), at 1691.*

4. The right to sue of the plaintiff

Without giving detailed reasons, the Court considered the standing to sue of the plaintiff to have been established according to § 8 Abs. 2 UrhG.

This legal norm is fundamentally important in open source copyright disputes, since in the vast majority of potential cases open source software works will have been created by a multitude of authors. Under German law this generally leads to co-authorship and joint ownership of copyright pursuant to § 8 Abs. 1 and § 8 Abs. 2 Satz 1 UrhG.[8] In principle, joint owners can only sue or file for injunctive relief conjointly.[9] § 8 Abs. 2 Satz 3 UrhG provides for an exception to this rule in copyright issues. A person that did not create a work entirely by himself but only functioned as co-author can assert copyright claims individually without requiring his fellow authors joining the court action.

The very same § 8 Abs. 2 Satz 3 UrhG, however, restricts a co-author's standing to a considerable degree. An individual co-author cannot claim performances to be effected, especially damages to be paid for copyright infringement, to himself but only to be paid to each of the co-authors. For this reason, a potential plaintiff would have to find and name each individual co-author, a task which in open source projects is – in a practical sense – impossible in many cases. Yet, a co-author can at least individually assert the claim that a copyright infringer cease and desist from its infringing actions.[10]

5. Copyright infringement

The Court continued by making the general statement that it considered the GPL license condition to be standard terms of business (§ 305 Abs. 1 BGB[11]). For this reason the GPL conditions in question had to be examined applying §§ 305 et seqq BGB which contain the German consumer protection law dealing with standard terms of business. This opinion of the Court reflects the prevailing opinion of legal scholars[12] and points to the fact that all questions related to the validity and enforceability of the GPL will be dealt with using the same German legal norms applied to any standard terms of business, provided that German law is applicable.

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[8] *G Spindler, "Ausgewählte urheberrechtliche Probleme von Open Source Software unter der GPL", in A Büllesbach and T Dreier (eds),* Wem gehört die Information im 21. Jahrhundert? Proprietäre versus nicht proprietäre Verwertung digitaler Inhalte *(2004), 115, at 116-118.*

[9] *R Geimer, et al,* Zöller. Zivilprozessordnung*, 24th edn (2004), at 248.*

[10] *T Dreier and G Schulze,* Urheberrechtsgesetz *(2004), at 153. T Jaeger and A Metzger,* Open Source Software *(2002), at 28 (hereafter referred to as Jaeger and Metzger,* Open Source*); for a contrary opinion, see F A Koch, "Urheber- und kartellrechtliche Aspekte der Nutzung von Open-Source-Software (I)" (2000) 5* Computer und Recht *273, at 279.*

[11] *'BGB' is the common abbreviation of 'Bürgerliches Gesetzbuch', i.e. the German Civil Code.*

[12] *Jaeger and Metzger,* Open Source*, at 147; H-J Omsels, "Open Source und das deutsche Vertrags- und Urheberrecht", in C Schertz and H-J Omsels (eds),* Festschrift für Paul W. Hertin *(2000), 141.*

5.1 The incorporation of the GPL into the contract

The Court examined whether the GPL had been incorporated into the contract pursuant to § 305 Abs. 2 BGB. The fact that the Court jumped straight to this question, without dealing with the question of whether a contract had been concluded in the first place, can be explained by the fact that the conclusion of the contract had never been disputed by the defendant. In circumstances in which internet users download a program, run the program and possibly copy it, modify it etc., the contract is simply concluded by executing these very actions. Any sort of personal contact is not required. This idea is also reflected by sec. 5 of the GPL. The conclusion of a contract could thus be assumed without further ado.

The Court held that the GPL conditions had indeed and "undoubtedly" been incorporated into a possible contractual relationship between the parties, as on the plaintiff's website reference was made to the GPL. Furthermore, it found that the fact of the GPL only being available in English language and any German translation of it being ´unofficial´ posed no problem in the particular case, since "English is a prevalent foreign language in the computer industry". According to the opinion of the Court, this principle "at least" applies where a contractual relationship between the authors of the software and a commercial software business such as the defendant is concerned.

5.2 The validity of the GPL conditions

After having come to the conclusion that the GPL had been effectively incorporated into the contract, the Court examined the validity of sec. 2, 3 and 4 of the GPL according to the 'fairness test' pursuant to § 307 BGB, a norm which has its foundation in Council Directive 93/13 on unfair terms in consumer contracts.[13] § 307 BGB provides that provisions in standard terms of business are invalid if they unduly and contrary to the requirement of good faith discriminate against the contractual partner. In particular, § 307 Abs. 2 Nr. 1 BGB foresees that that a provision is invalid if it cannot be reconciled with essential basic principles of the statutory rule from which it derives.

The Court opined that the GPL conditions in question are compatible with the requirements of § 307 BGB. To arrive at this conclusion, the Court examined each condition in question separately, starting with sec. 4 of the GPL.

5.2.1 The legal character of sec. 4 of the GPL

The Court had to – as a first step – decide on the legal character of sec. 4 of the GPL. This question had caused considerable debate amongst legal scholars. The by now prevailing school of thought interprets sec. 4 of the GPL as containing a resolutory condition with in rem effect pursuant to § 158 Abs. 2 BGB.[14] This opinion mostly

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[13] *Council Directive Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts. There, Article 3(1) provides for the corresponding unfairness rule.*

[14] *Jaeger and Metzger,* Open Source*, at 38.*

draws on the exact wording "[a]ny attempt (…) will automatically terminate your rights (…)".[15]

The Court concurred with the 'condition concept' and held that the clause indeed provides for an automatic reversal of rights in case a licensee does not abide by his contractual obligations stipulated by the GPL.

In coming to this conclusion, the Court briefly examined the legal consequences that would follow from interpreting sec. 4 of the GPL as a limitation in content of the rights of use.[16] Limitations in scope and content are – in principle – legally possible pursuant to § 31 Abs. 1 Satz 2 UrhG. Yet, according to the jurisdiction of the German Federal Court of Justice, a dispartment of the right of distribution with in rem effect is not valid unless clearly delimitable forms of use are concerned. This is only the case if the form of use affected by the limitation is customary and technically as well as economically independent.[17] The reasoning underlying this jurisdiction is that, by allowing limitations in scope and content, the marketability of copyrighted works is in danger of being curtailed, an effect undesirable in copyright law. The Court opined – in accordance with most legal scholars[18] – that sec. 4 of the GPL does not fulfil the requirements § 31 Abs. 1 Satz 2 UrhG entails for a valid limitation in content of the right of use.

5.2.2 Sec. 4 of the GPL does not illegitimately circumvent the restrictions provided by § 31 Abs. 1 UrhG

The Court held that sec. 4 GPL is valid pursuant to § 307 BGB. In particular, the judgement emphasised that the 'condition concept' does not illegitimately circumvent the restrictions implied in § 31 Abs. 1 Satz 2 UrhG in respect of limiting rights of use in content. In relation to this problem the Court undertook an analysis with considerable depth.

It began by noting that the legal consequences of a valid limitation in content of rights of use on the one hand and an automatic reversal of such rights on the other can be just the same when a licensee does not adhere to the GPL conditions. In both cases the licensee will hold no rights of use, albeit for different reasons. If the licensee makes any dispositions as to the copyrighted work, they will be invalid in relation to third parties.

From this results – according to the opinion of the Court – the peril that the 'condition concept' in many cases serves as a circumvention of § 31 Abs. 1 Satz 2 UrhG. If such peril were to indeed be manifest, sec. 4 of the GPL would not be reconcilable with § 31 Abs. 1 Satz 2 UrhG. As a consequence, sec. 4 of the GPL would be invalid pursuant to § 307 Abs. 2 Nr. 1 BGB for being in conflict with the principle behind §

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[15] *A Metzger and T Jaeger, "Open Source Software and German Copyright Law" (2001) 1* International Review of Industrial Property and Copyright Law *52, at 62; to this effect also, G Spindler and A Wiebe, "Open Source-Vertrieb" (2003) 12* Computer und Recht *873, at 874-876.*

[16] *Such interpretation is supported by T Schiffner,* Open Source Software *(2003), at 131. Also, F A Koch, "Urheber- und kartellrechtliche Aspekte der Nutzung von Open-Source-Software (II)" (2000) 6* Computer und Recht *333, at 333-334. The latter author considers this to be „at least" the case for the Linux operating system.*

[17] *BGH GRUR 2001, at 153-155* – OEM-Version.

[18] *See, for example, Jaeger and Metzger,* Open Source*, at 148; T Deike, "Open Source Software: IPR-Fragen und Einordnung ins deutsche Recht" (2003) 1* Computer und Recht *9, at 16.*

31 Abs. 1 Satz 2 UrhG. Yet, the Court found that § 31 UrhG did not render transfers of copyright under resolutory conditions generally impossible. Rather, the question of whether sec. 4 of the GPL is an invalid circumvention within the scope of § 307 BGB was to be determined on the basis of the contractual agreement as a whole looking at the ramifications the resolutory condition can lead to in relation to the marketability of the rights of use and the physical storage items (if such are used to distribute the software).

To ensure the marketability of the rights of use *in rem*, not every violation of whatever contractual obligation must render the further distribution of the software void because the distributing person does so without entitlement. Otherwise, the third party would be too extensively exposed to the danger of not having legally acquired any rights of use and consequently being subject to potential copyright claims by the author. Yet, the Court opined that this danger is only given to a small degree due to the specific contractual structure of the GPL. Sec. 4 of the GPL explicitly stipulates that the rights of use of third parties are not terminated because of the GPL-violation of the distributor the rights were acquired from, provided the third parties themselves comply with the license conditions.

Furthermore, the Court stated that the offer to acquire the required rights of use does not expire just because a violation of the GPL has occurred. Rather, the copyright infringer can re-acquire the rights of use by again complying with the GPL conditions. The Court said in recapitulatory fashion that the marketability of the rights of use and the storage items is only marginally compromised by the GPL and that the consequences of the automatic reversal of rights mostly affect the infringer.

5.2.3 Sec. 2 and 3 of the GPL are valid clauses

In relation to the validity of sec. 2 and 3 of the GPL pursuant to § 307 BGB, the Court did not see any problems whatsoever, since the clauses only require the licensee to pass the software on to third parties in a fashion, that allows the third parties to use the software in the same way and to the same extent as the licensee himself. The Court did, however, make an interesting statement in this context. It argued that by adopting § 32 Abs. 3 Satz 3 UrhG into German copyright law in 2002, the legislator had expressly acknowledged the basic concept of open source software.[19] It appears that the Court took this into account during its examination of the GPL.[20]

5.3 No rights of use in case the GPL is not valid

After having given the reasons for its decision in the matter, the Court per obiter dictum voiced its opinion that, if one came to the conclusion the § 307 BGB prevented the validity of nos 3 and 4 of the GPL, it is manifest that one would then have to very closely examine if a valid contract was concluded at all. In this context, § 306 Abs. 2 BGB provides that as far the standard terms of business are not valid, the content of the contract is to be determined by the statutory rules governing the

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[19] *Whether this assumption in its universality carries very far, has been doubted, though, see T Hoeren, "The first-ever ruling on the legal validity of the GPL – A Critique of the case" @:*

< http://www.oii.ox.ac.uk/resources/feedback/OIIFB_GPL3_20040903.pdf >.

[20] *In this context, it seems that the opinion of the Court is strengthened by the planned adoption of two further 'open source clauses' in § 32 a Abs. 3 Satz 3 UrhG and § 32 c Abs. 3 Satz2 UrhG.*

respective issues. At the same time, however, § 306 Abs. 3 BGB requires that even after the amendment pursuant to § 306 Abs. 2 BGB has been made, the contract must still be examined as a whole as to whether one of the contractual parties were to suffer unreasonable hardship by being bound by the contract.

The Court opined that there is considerable ground for the argument that in cases in which the open development of the software is endangered by the invalidity of the GPL conditions and a fundamental concept of open source software is thus affected, there has been no agreement at all. As a result, any use of the software would be illegal.

6. Conclusion

The Court's judgement has been celebrated as being "very good news indeed, not only now [but] for long term" because "the GPL is valid in Germany".[21] But to what extent are those statements actually true?

On the one hand, the Court did not consider any of the GPL conditions it examined invalid. It dealt with the questions related to the validity of the GPL to the extent it was compelled to do so due to the particular facts of the case and the claims made by the plaintiff. Those questions it answered affirmatively.

On the other hand, the Court did not say that the GPL is valid in its entirety. It must not be assumed that from now on all legal issues related to open source software and the GPL in Germany can be considered to have been successfully resolved. In particular, the complete exclusion of liability and warranty stipulated in nos 11 and 12 of the GPL are generally considered to be invalid under German law.[22]

That said, the conclusions of the Court are highly significant in that, firstly, under German law the GPL is considered more than extra-juridical philosophic document but – in principle – a binding and enforceable license and, secondly, its central sec. 2-4 are valid. On the base of this, it will hardly be possible to continue to allege that the GPL has no real meaning and that it cannot be enforced in court. Having in mind the legal insecurity that open source software still oftentimes generates, the judgement was rightfully welcomed by most who deal with open source software in Germany and worldwide. It would certainly be to too bold to claim that overall legal certainty has now been established, not least because the Munich District Court decided as the court of first instance.[23] However, the Court's judgement can without doubt be called an important step towards it.

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[21] *Comments @:* < http://www.groklaw.net/article.php?story=20040723155543 13 >.

[22] *G Spindler, "Rechtsfragen der Open Source Software", at 78 and 80. The work was published as an expert report following a request by the Association of the German Software Industry (VSI) @:*

< http://www.vsi.de/inhalte/aktuell/studie_final_safe.pdf >.

[23] *The judgement has by now become unappealable, however.*