

Considerations for Developing Corporate Open Source Policies

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As the use of open source software has become ubiquitous, nearly all companies use open source software in some way. This is not limited to companies that develop and release software under open source licenses. Any company that uses software needs to understand the potential legal ramifications of how they use open source software and how to manage the potential risks.

The benefits of open source are clear and have become well-known. What is not as clear and what is lesser-known, is the significant legal risks that may arise from such usage. As a result, the number of open source software license enforcements has increased. Additionally, using open source can impact the value of your proprietary software and impact your patent rights.

To avoid being subject to these and other legal issues, it is critical for corporate legal departments to understand the potential risks and proactively manage them. The best way to manage these risks is to have a clearly written and enforced open source policy.

This module will address why open policies are necessary, the legal risks they can prevent, and what the policies should address.

OVERVIEW OF SOME OPEN SOURCE RISKS

Tainting

Perhaps the biggest risk in using open source software is that it may impact proprietary software, including the potential requirement to make the source code for that proprietary software available to others and to license the proprietary software under the terms of an open source license. In a worst case scenario, this might include granting others the right to copy, modify and redistribute the software for free. This is often referred to as open source “tainting” of proprietary software.

Some open source licenses (e.g., the GPL licenses) require that if any software *contains or is derived from* any GPL-licensed code, then that software must be licensed under the terms of the GPL license. Two of the significant ramifications of this are that: 1. the source code for that software must be made available to recipients of the software; and 2. recipients must have the right to copy, modify and redistribute that software at no charge. This can be devastating if that software is intended to be proprietary software and the company intends to charge a license fee for usage. This is a real risk given that a large number of open source components are covered by a GPL license.

ENFORCEMENTS

A number of companies have been subject to these obligations, but did not honor the requirements. This has led to a growing number of open source license enforcements.

Most enforcements have been successful. These enforcements may arise from actions by open source advocacy groups (such as the Free Software Foundation or the Software Freedom Law Center) or in connection with commercial litigation between competitors, such as a decision we recently reported in *Artifex Software, Inc. v. Hancom, Inc.*

OPEN SOURCE LICENSE COMPLIANCE

Open source licenses are often free, but have various contractual obligations that must be fulfilled. The scope of the obligations vary from maintaining license notices that are included with the open source software, to more fact-specific obligations such as providing notice of any modifications made to the open source software, the nature of such modifications, and how to obtain the original (unmodified) open source software.

OPEN SOURCE LICENSE INCOMPATIBILITY

In practice, open source license incompatibility arises when multiple open source components governed by different open source licenses are used together, but the licenses are incompatible. Open source license incompatibility occurs when an open source license includes terms that conflict with the terms of another open source license and prevents simultaneous compliance with both licenses. For example, the GPL v2.0 license includes the provision “You may not impose any further restrictions on the recipients’ exercise of the rights granted herein.” In some cases, this provision causes incompatibility with other licenses that impose such “further restrictions.”

Patent Rights

Open source licenses can create patent issues, both for the terms that are included in the license and those that are not. Some open source licenses include express patent provisions, including patent licenses and so-called “patent retaliation” clauses, as detailed below. However, patent issues may also arise from the failure to address patents in an open source license due to the concept



of implied patent licenses. Some recent patent litigations have evolved to include open source issues and some open source disputes have evolved to include patent claims. These patent issues can arise when you use open source software, release software under an open source license or contribute code to an open source project.

PATENT LICENSE GRANTS

Some open source licenses also include patent license grant provisions. The scope of the patent licenses can vary, but are generally intended to ensure, at a minimum, if someone makes modifications or contributions to open source software, they cannot turn around and sue another user for patent infringement based on the use of those modifications or contributions. Some patent license provisions go much further and permit other users to make additional modifications without fear of patent infringement from prior contributors.

Patent Retaliation Clauses

Patent retaliation clauses vary in scope, but the concept is if you institute patent litigation against an entity alleging that use of the open source software constitutes patent infringement, various rights, granted to you by the license to use that software, terminate. The termination of rights varies by license and can include termination of all rights granted by the open source license. These clauses are designed to discourage you from obtaining the benefits of using open source and enforcing your patents against others who do as well.

Implied Patent Licenses

Some open source licenses do not have an express patent license grant. However, these licenses arguably include an implied patent license. An open source license typically grants a right to use copyrighted software. To the extent that a patent covers functions of software that is copyrighted and provided under an open source license, arguably the open source license also includes an implied patent license to use the software (i.e., its software functions). Otherwise, a recipient would be granted a right to use the software under copyright while simultaneously being barred from using the software under patent.

Whether open source licenses include an implied patent license has not been fully tested by the courts. However, in one case involving GPL code, the judge without ruling — the parties settled—suggested that the GPL's right to use under copyright implied a right to use under patent. *Ximpleware, Corp. v. Versata Software, Inc.*, 2014 WL 2080850. There the judge did not opine on the full scope of such an implied license, such as whether an implied patent license extends to the patent-protected rights to make, sell or import patented software since these are not rights granted by an open source license under copyright. Still, this case hints that courts can

and will hold an open source license includes an implied patent license.

Open Source Risks Vary by Use Case

The open source legal risks vary greatly depending on how a company uses open source. This use can be dependent on a number of factors including manner of use (e.g. internal use, SaaS deployments, external distribution), whether the open source software is used as a standalone program, linked to proprietary software or compiled with proprietary software, whether it is used as is or modified, and the particular licenses that govern the open source components used. Merely using open source internally rarely imposes significant conditions and obligations. More significant conditions and obligations typically arise when an entity redistributes open source software, particularly if the entity modifies the open source or combines it with other software.

Open Source Concerns with SaaS

There is a common misconception that if an entity is not redistributing open source software that there are no open source legal issues. This is not true. This is particularly relevant with respect to an entity that uses a Software-as-a-Service (SaaS) model. Typically, SaaS software is not distributed, causing some to think that SaaS software models are free of open source issues. The problem is some licenses create conditions and obligations even for SaaS software. One such license is the Affero GPL (AGPL) license. This license imposes significant conditions and obligations that are triggered upon distribution or upon granting access to the software via a network.

While some people are aware of the AGPL, a growing number of other open source licenses include provisions that trigger when access to software is provided to a third party over a network (e.g., via a SaaS model). For these types of licenses, obligations may trigger by merely running open source software, such as in a SaaS deployment, even if such open source software is not actually distributed.

ELEMENTS OF AN OPEN SOURCE POLICY

For these and other reasons, knowing, approving and managing the open source software your company uses, modifies, contributes, and/or distributes is critical. To do this, your company must have an open source policy. A good open source policy should provide written requirements/guidance on the use of open source software for your company and the policies must be enforced. Here are some of the elements of good open source policies.

1. Identify and Educate Stakeholders—crafting a good open source policy starts with identifying the key stakeholders (business, legal, technical, etc.), educating them on the opportunities and risks with open source and talking into account their business issues and existing workflows.

2. Identify Open Source Business Objectives—companies must identify the key business and legal objectives that will drive the open source policy. The business issues will vary widely by company. Some of the potential legal objectives may include:

- a. Avoiding an obligation to release proprietary source code in connection with open source software
- b. Avoiding the need to grant patent licenses
- c. Maintaining the ability to enforce patents without open source software of open source licenses
- d. Avoiding unacceptable legal obligations/liabilities (e.g. providing indemnities)
- e. Minimizing risks associated with open source software compliance obligations
- f. Minimizing risks when contributing to open source projects

3. Approval Process — The policy should provide an approval process for all open source software that is used, distributed and/or contributed. This can range from pre-approval for the use of some licenses and/or some use cases (e.g., where open source software is used internally only or is a standalone tool) to submitting a request for approval to the legal department on a case by case basis. This is one of the toughest choices and requires a balance between efficiency and legal certainty.

Identification of Open Source Software and its Use — The policy should require identification of all open source software that is used, modified, contributed, or distributed by your company and the relevant license that governs use of that open source software component. It should also require identification of how the open source software is used. The open source legal risks vary greatly depending on how a company uses open source (e.g. internal use, SaaS deployments, external distribution and whether the open source software is standalone, linked to proprietary software or compiled with proprietary software) and the particular licenses.

4. Patent Considerations — Depending on whether your company owns patents related to what the open source software is used for, you may need to deal with certain open source software licenses differently than if you do not. It is important to understand the scope of the patent license provisions in the relevant open source licenses and ensure that your company's use or distribution of open source does not inadvertently grant undesired patent licenses. Some patent license grants cover existing patents, but some also cover future acquired patents. Some grant a license to what you contribute.

Some are broader and cover recipients derivative works as well. If you are a patent-centric organization it is critical to ensure that your open source policies fully address this topic.

5. Compliance—For approved open source software, it is still necessary to ensure compliance with the open source license terms. Developing an efficient process for doing so is important.
6. Third Party Dealings—The policy should also address ensuring open source issues are adequately addressed in third party contracts, development agreements, distribution agreements, acquisitions and other transactions.
7. Open Source Licensing — The policy should address procedures for approval of releasing company software under an open source license and criteria for license selection.
8. Contributions to Open Source Projects — The policy should address considerations for contributing software to open source projects and an approval process depending on the relevant license and the value of the contribution (bug fixes vs. important new functionality).
9. Efficiency Considerations — Where feasible it is best to integrate the open source policy processes into existing workflow. Each company has different existing processes for workflow and product approvals. It is efficient to develop open source policies that fit within the existing workflows to the maximum extent possible.
10. Code scan policy — the policy should address whether and when to conduct code scans to ensure identification of all open source components used in a software product.
11. Written Policy and Education — once the policy is developed it must be reduced to writing and disseminated. It is also highly advisable to conduct training for the relevant employees so they understand the policy and the reasons for it, as well as the risks associated with non-compliance.

The foregoing is not necessarily a comprehensive list, but includes common elements of many companies' open source policies. Each company (and sometimes different business units within a company) must customize a policy based on their unique business issues and existing workflows.

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