New frontiers in open source enforcement and compliance

George Zalepa, Of Counsel at Greenberg Traurig LLP, explains the difficulties surrounding open source licensing and copyright infringement highlighted by the *Software Freedom Conservancy vs. Vizio* case.

Since its creation, the GNU Public License ("GPL") has arguably been a vexing open source license for lawyers and engineers alike. In addition to what some consider ambiguities in the license terms, many aspects of enforcement of the GPL are untested and thus subject to commentary and conflicting interpretations within the open source community.

In brief, software developers can incorporate software licensed under the GPL into their software provided that, in most circumstances, they *also* license the resulting combination under the GPL. The effect of this so-called copyleft restriction is frequently referred to as the "virality" of the GPL. That is, proprietary code that is "infected" with GPL-licensed code must then be open sourced to comply with the terms of the GPL license.

Historically, GPL violations were enforced by the copyright holder of the GPL-licensed code. In general, such cases would be asserted as copyright infringement claims since a breach of the GPL (e.g., not providing access to corresponding source code) would terminate the copyright license granted to the licensee. Thus, the licensee would be copying copyrighted material without such a license.

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While litigation risks due to GPL non-compliance exist, this specific means of enforcement can often blunt risk analyses of such non-compliance. Much GPL-licensed code is developed and maintained by independent developers, not larger organizations. As such, the practical likelihood of litigation is small, and when compared to the costs of replacing GPL code, these risks may be improperly ignored due to the unlikelihood of detection and enforcement. Further, the ultimate remedy for infringing the copyright of GPL-licensed code is primarily monetary. While damages (including treble damages) are a deterrent, they frequently can be abstracted as a cost of doing business and not as visceral as being forced to release proprietary source code, which, in some circumstances, represents the entire market value of an organization.

Thus, the historical development of GPL enforcement has given rise to two assumptions that many organizations use to assess the risk of GPL code in the absence of a formal legal review. First, many copyright holders lack the necessary resources to enforce the GPL, and second, the ultimate remedy is purely monetary and there is no mechanism to "force" open sourcing of their code.

In *Software Freedom Conservancy vs. Vizio*, the Software Freedom Conservancy ("SFC") is challenging both of these assumptions, which, if successful, may have wide-ranging impacts for developers of software that distribute products that include open source code.

Résumé

George David Zalepa is of counsel at law firm Greenberg Traurig, LLP, focusing his practice on intellectual property and technology matters. He regularly advises clients on software licensing and IP and open source due diligence in connection with mergers and acquisitions. In addition to his legal experience, George is an experienced software developer, specifically with web applications.

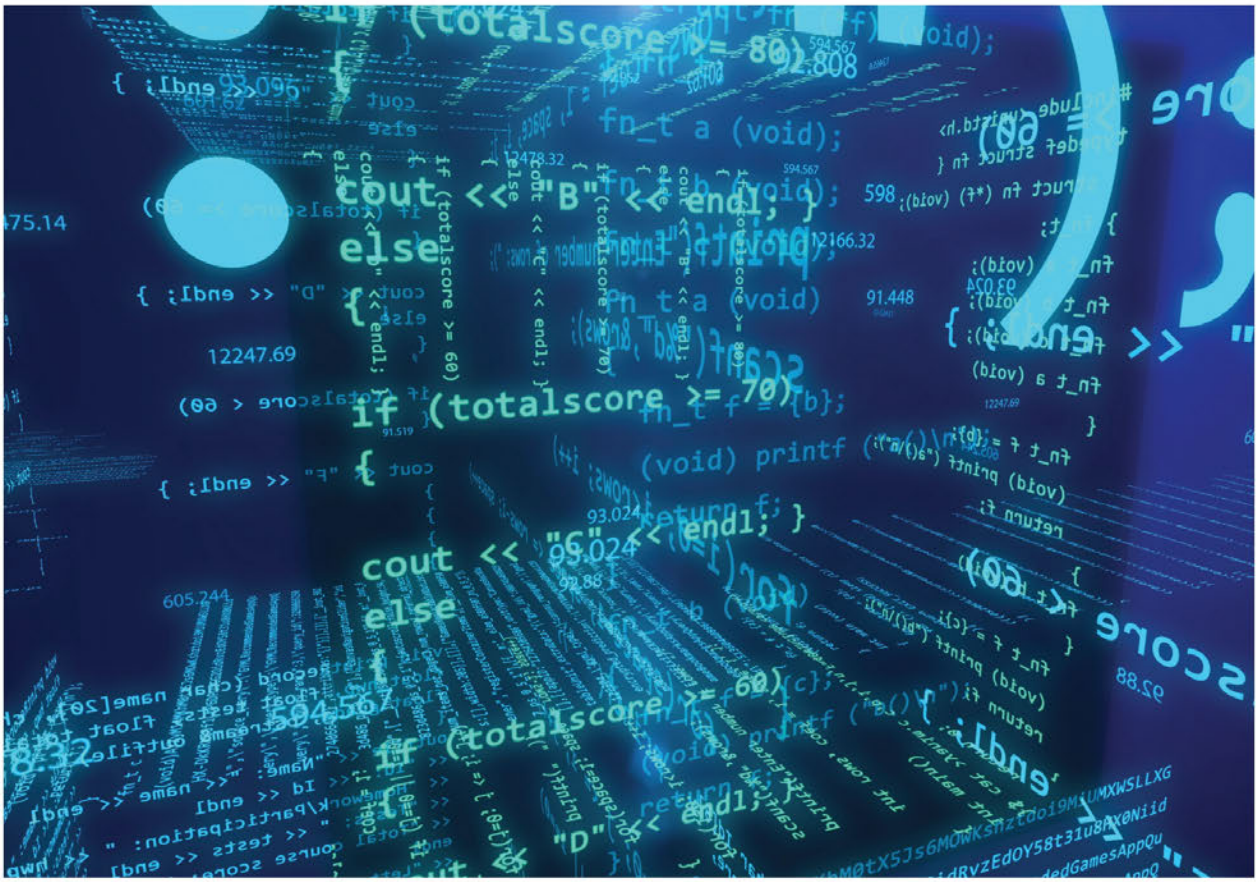
In October 2021, the SFC filed suit in the Superior Court of California (Orange County), alleging that Vizio had breached the terms of the GPL. Specifically, the SFC alleged that Vizio's smart televisions included various common GPL-licensed software packages without providing the corresponding source code.

Notably, the SFC did not develop any of the GPL-licensed packages identified in the complaint and, as such, has no standing to bring a copyright infringement action against Vizio. The SFC's basis for standing, unlike previous GPL cases, is based on the theory that the GPL represents a valid contract between the copyright holder and Vizio, and the SFC is a third-party beneficiary of that contract due to its purchase of smart televisions from Vizio. As stated in the complaint, the SFC purchased various Vizio smart televisions from a major retailer, examined the televisions, and determined Vizio was using the identified GPL-licensed libraries. The SFC further alleges that Vizio did not provide the corresponding source code in a manner compliant with the GPL. The SFC acknowledged it was not a party to the GPL as applied between Vizio and the copyright holders but contends it falls within the class of persons for whose benefit the GPL was created. Under this interpretation, the SFC contends it is a valid third-party beneficiary with standing to bring an action against Vizio for breaching the terms of the GPL.

> **Thus, the licensee would be copying copyrighted material without such a license.**

In addition to this theory, *SFC v. Vizio* is notable for the remedy requested. Unlike most previous GPL cases, the SFC's cause of action is for breach of contract and seeks specific performance. Thus, the SFC's prayer for relief explicitly requests the release of all corresponding source code from Vizio to the SFC.

Shortly after the SFC's complaint, Vizio moved to remove the case to Federal court. Vizio's basis for removal is that copyright law completely preempts the SFC's breach of contract and declaratory judgment claims. In response, the SFC argued that the obligation to produce source code does not fall within the enumerated rights of § 106 of the Copyright Act. As such, there is no "preemption" of a right that does not arise under the Act. In its decision to remand the case to state court, the district court stated that the SFC's claims arose from an "additional contractual promise separate and distinct from any rights provided by the copyright laws." Thus, the court remanded the case to state court and agreed with the SFC's argument that the right to receive source code does not fall under the enumerated rights of copyright and thus is an "extra element" to the SFC's claims.



As of December 2022, the state court dispute between the SFC and Vizio is pending, but the denial of removal by the district court is a significant development in the interpretation and enforcement of GPL violations. Further, should the SFC prevail in its causes of action, the risk calculus for GPL code consumers will change significantly.

As an initial procedural development, the remand to state court represented a repudiation of the general rule of thumb that GPL violations are purely copyright claims. As discussed above, this rule of thumb enabled a simple calculation of risk when using GPL software: only copyright holders could bring suit and only monetary damages were at risk. Such a general rule reduces the universe of threats for non-compliance. The denial of removal and remand to state court places this rule in flux. That is, breach of contract claims for GPL violations now appear to be established "fair game."

However, the SFC still must prevail on its theory by showing that it is a third-party beneficiary and that specific performance is a reasonable remedy for violations of the GPL.

With respect to the first showing, the SFC must prove that the motivating purpose of Vizio using the GPL-licensed code (and thus contracting with the copyright holder) was for the SFC (as a purchaser) to benefit from the use of the GPL. While this is an open question, it seems to skew in favor of the SFC.

The GPL is replete with references to the "all users" of source code, stating, for example, in its preamble that the purpose of the GPL is to "make sure [a GPL-licensed program] remains free software for all its users." Thus, when looking at the terms of the agreement itself, it is fairly clear that downstream consumers of code that includes GPL-licensed software are the intended beneficiaries of the GPL, including the SFC.

A more open question is perhaps the second showing: that specific performance is an appropriate remedy in resolving GPL disputes. In general, courts disfavor the use of specific performance as a remedy except in narrow instances, primarily, the sale of real property. However, the SFC's status as a third-party beneficiary may tip the scales in favor of awarding an equitable remedy. In a traditional suit, the plaintiff and copyright holder would be one in the same. That is, a copyright holder is accusing its licensee of violating the terms of the GPL agreement. In such scenarios, a court may reasonably determine that monetary damages may be adequate to compensate the copyright holder.

However, what is less clear is whether any monetary damages would compensate a third-party beneficiary as plaintiff. Such a plaintiff does not suffer damages from the use of its own code (as it likely has none). Such a plaintiff may also likely still be able to obtain the GPL-licensed code from other sources (notably the copyright holder). Such a plaintiff also does not suffer monetary losses after purchasing a product that includes code violating the GPL. What such a plaintiff does suffer is the lack of freedom that the GPL guarantees. Such a violation appears difficult to quantify in dollars and cents. As such, specific performance in the narrow context of GPL violations could turn out to be a suitable remedy specific for third-party beneficiaries. Time will tell.

> **"The SFC argued that the obligation to produce source code does not fall within the enumerated rights of § 106 of the Copyright Act."**

If the SFC is successful in both of the foregoing showings, future users of GPL software will have to consider the effect on potential litigation threats. It should be noted that the only true way to comply with the GPL is to honor the terms of the GPL, and all users of GPL code should endeavor to do so. However, in many practical scenarios, the identity of GPL code may not be known or other considerations may cause software developers to roughly evaluate the known or unknown risks of non-compliance with the potential damages.

Under current compliance perspectives, a user of one GPL-licensed software package may face one lawsuit from one party for, primarily, one cause of action (i.e., copyright infringement) asserting monetary damages. Such a risk is easier to quantify, especially when the identity of GPL-licensed code is known.

If the SFC is successful, this same user would instead consider a potentially infinite number of plaintiffs. That is, any user of their proprietary software may have standing to litigate the unauthorized use of GPL-licensed code. Such a change necessarily means the risk of litigation expands dramatically. An organization considering potential GPL violations (either known or unknown) may now have to take a wider range of potential plaintiffs into consideration. Further, if the SFC prevails, the current risk of "forced open sourcing," which has historically not been the legal remedy for GPL violations, may become very real.

Further, the landscape of GPL enforcement may significantly change if the SFC is successful. If, after *SFC v. Vizio*, any purchaser or consumer of software has standing to assert a breach of contract claim against a software distributor, such an environment may give rise to "GPL trolls" similar to non-practicing entities suing for patent infringement being labeled "patent trolls". That is, any party may file a complaint (or threaten such a complaint) alleging breach of contract in an attempt to force a quick settlement. Indeed, the SFC's complaint itself can easily be viewed by some as similar to the

actions of non-practicing patent assertion entities: it obtained products, analyzed them to identify intellectual property violations, negotiated with Vizio to reach an agreement prior to litigation, and, failing that, ultimately filed suit. A more unscrupulous entity may use the SFC's negotiation step to try to force a monetary settlement rather than compliance given the expense of litigating, identical to the cost-of-litigation playbook of many non-practicing entities. Specifically, the potential costs of complying with the GPL (if even possible) may also drive entities to prefer low-value settlements over litigation. On the other hand, a settlement with one third-party beneficiary does not necessarily foreclose other such third-party beneficiaries from repeating such enforcement (either individually, or as a potential class action) if the GPL violations are not cured.

Given that most projects include numerous packages, including GPL packages, the result of *SFC v. Vizio* may represent a significant change in risk analysis when considering GPL code. While the ideal solution is complete compliance, the ambiguities in the open source world often result in risk analysis based on incomplete information. The increased potential for litigation would necessarily result in closer attention paid to compliance to avoid a highly unknown arena of potential litigation.

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For those concerned with open source compliance, close attention should be paid to the outcome of *SFC v. Vizio*. While the immediate outcome may increase risks of GPL non-compliance, the case may also generate new forms of litigation that should be considered when evaluating open source risk.

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