

# Portugal

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## Introduction to software protection under Portuguese law

### Body of law

In Portugal, software is protected by copyright under the Software Act<sup>1</sup>, which implements the Software Directive.<sup>2</sup> Unlike the majority of European Member States, the Portuguese legislator chose to implement the Software Directive through a separate legislative measure, instead of incorporating it into the Portuguese Copyright Act (hereinafter, the “PCA”).<sup>3</sup>

According to the preamble of the Software Act, the reason for using this legislative technique is the difference between the core concepts of software protection and common copyright protection for other types of works.<sup>4</sup> This does not mean, however, that provisions of the PCA will not apply to software — being the general law in the field of copyright, the PCA will be fully applicable where the Software Act does not provide otherwise. Still, since the Software Act is *lex specialis vis-à-vis* the PCA, it shall prevail where its provisions are different from the PCA, even if the application of the latter is not expressly set aside.

It has been noted by several commentators that the Software Act deviates significantly from the Software Directive it seeks to implement.<sup>5</sup> The following sections will analyze the specific relevant provisions of the Software Act, while pointing out its disparities in relation to the Software Directive.

### Object of protection

According to Article 1(2) of the Software Act, computer programs<sup>6</sup> that are creative will receive analogous protection to the one granted to literary works. Differently from the Software Directive, computer programs are not protected as literary works, but rather they are granted an analogous protection.

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<sup>1</sup>Decree-law 252/94, of October 20, as last amended by Decree-law 334/97, of November 27 (hereinafter, the “Software Act”).

<sup>2</sup>Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs, repealed and replaced by Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs (Codified version) (hereinafter, the “Software Directive”).

<sup>3</sup>Código do Direito de Autor e dos Direitos Conexos, Decree-Law 63/85, of March 14, as last amended by Law 82/2013, of December 6) (hereinafter, the “PCA”).

<sup>4</sup>The third indent of the preamble reads: “(...) the core concepts of software protection entail new realities that do not easily fall under copyright, even though their equivalence to literary works might occasionally allow for approximation.” (authors’ translation)

<sup>5</sup>See, *inter alia*, J.A. VIEIRA, *A Protecção dos Programas de Computador pelo Direito de Autor*, Lisboa, Lex, 2005 (hereinafter “VIEIRA 2005”), pp. 215ff.; G. MARQUES & L. MARTINS, *Direito da Informática*, 2006 (hereinafter “MARQUES & MARTINS”), pp. 570ff.

<sup>6</sup>In this Chapter, we will refer interchangeably to “computer programs” and “software”.

The Software Act also departs from the Software Directive in relation to the creativity requirement. The Directive mandates that a computer program be protected if it is “original in the sense that it is the author’s own intellectual creation.” Some authors have held that creativity and originality are not substantially different for purposes of a computer program qualifying for copyright protection.<sup>7</sup> In any case, given the principle of harmonious interpretation, which requires national law to be interpreted in light of directives, it seems that in practice the semantic differences will not be relevant.<sup>8</sup>

The requirement is in line with the general provisions of the PCA, and in particular with its Article 1(1), which defines a work as an intellectual creation — and therefore as an expression of creativity.<sup>9</sup> Neither the Software Act nor the PCA, however, define the concepts of “intellectual creation” or “creativity.” Legal doctrine, on the other hand, highlights that an assessment of “creativity” does not imply a judgment of merit of the work.<sup>10</sup> Rather, the creativity requirement is linked to the author’s individuality or personality.<sup>11</sup> It follows that the author must have creative choices; if there is only one or few ways of expression of a computer program due to technical constraints (e.g., programming language), the protection threshold will not be met.<sup>12</sup>

### **Authors/Beneficiaries**

Article 3(1) of the Software Act establishes that the general rules on copyright authorship and ownership (Articles 11 to 26 of the PCA) apply to computer programs. These are, e.g., the prohibition of formalities as a requirement for protection (Article 12 of the PCA); the ownership of copyright in case of subsidized works (Article 13 of the PCA); or the definition and regime of joint works (Articles 16-18 of the PCA), collective works (Articles 16 and 19 PCA), and composite works (Article 20 of the PCA).

Nevertheless, the following paragraphs of the provision set forth specific rules for computer programs.

Firstly, the computer program created within a company shall be deemed to be a collective work.<sup>13</sup> Following the rules of the PCA, the rights are thus vested in the person (natural or legal) who organized and managed the process of creating the computer program.<sup>14</sup> Such person will be the one under whose name the

<sup>7</sup>See MARQUES & MARTINS, p. 574. See also similarly M. LOPES ROCHA & P. CORDEIRO, *Protecção Jurídica do Software*, 2005 (hereinafter “ROCHA & CORDEIRO”), pp. 23-23.

<sup>8</sup>See further on this principle P. CRAIG & G. DE BÚRCA, *EU Law. Text, cases and materials*, 2003, pp. 211ff.

<sup>9</sup>See, e.g., J. O. ASCENSÃO, *Direito de Autor e Direitos Conexos*, 1992, (hereinafter “ASCENSÃO 1992”), pp. 60ff.

<sup>10</sup>ASCENSÃO 1992, pp. 88; , VIEIRA 2005, pp. 458-460.

<sup>11</sup>ASCENSÃO 1992, pp. 88-91; VIEIRA 2005, pp. 459-460.

<sup>12</sup>VIEIRA 2005, p. 461.

<sup>13</sup>Art. 3(2) 2 of the Software Act.

<sup>14</sup>Art. 19 of the PCA.

program is released. However, if it is possible to identify separately the personal input of any collaborator, the regime of joint works shall apply to that specific part. As a result, according to Article 18 of the PCA, the individual author of that part is entitled to exercise his rights in relation to his particular work.

It is in addition noteworthy that this qualification is a rebuttable legal presumption. Therefore, it is possible that some computer programs are considered to be joint works — namely, if they are divulged or published under the name of some or all of its creators.<sup>15</sup> Should that be the case, the rights to the program will belong to all co-authors jointly and will be regulated by rules on co-ownership as provided by the Civil Code.<sup>16</sup> It follows therefrom that the rights to the computer program can be exercised by either of its co-authors, so long as the program is used for its intended purposes and the other co-authors are not prevented from exercising their rights too.<sup>17</sup> Still, despite this common exercise of rights, each individual author is entitled to exercise his rights to his part of the program, if his creative input is identifiable.<sup>18</sup>

Moreover, the computer program can also be considered a derivative or a composite work. The former results from a transformation (e.g., arrangement or translation) of a pre-existing work,<sup>19</sup> while the latter incorporates the whole or part of a pre-existing work.<sup>20</sup> Both require an authorization from the copyright owner of the previous work, but do not involve his participation or collaboration.<sup>21</sup> Consequently, the author of the composite or derivative work is the holder of the rights alone, without prejudice, however, to the rights of the copyright owner in the pre-existing work.<sup>22</sup>

Secondly, the general rules on works created by employees and commissioned works (Article 14 (1)-(3) of the PCA) do not apply to software. Such rules grant ownership in those works in accordance with what was contractually agreed between the parties. In the absence of a contract, the individual creator is deemed to be the author, unless his name is not mentioned in the work (in which case copyright belongs to the employer or to the client who commissioned the work).

By contrast, the Software Act establishes that the rights will be granted to the employer or the client who commissioned the work, unless (i) the employment contract provides otherwise or (ii) the purpose of the contract is in contradiction with such solution.<sup>23</sup> The law does not clarify, however, whether the employer or client is the original owner of the rights or whether he is an assignee.

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<sup>15</sup>Art. 16(1)(a) of the PCA.

<sup>16</sup>See arts. 1403-1413 of the Civil Code.

<sup>17</sup>Art. 1406 of the Civil Code.

<sup>18</sup>Art. 18(2) of the PCA.

<sup>19</sup>Art. 3(1)(a) of the PCA.

<sup>20</sup>Art. 20 of the PCA.

<sup>21</sup>See, for an overview of the regime of derivative and composite works, ASCENSÃO 1992, pp. 122ff.

<sup>22</sup>Art. 20(2) of the Software Act.

<sup>23</sup>Art. 3(3) of the Software Act.

## **Economic rights**

Articles 5 and 8 of the Software Act bestow upon the right holder three exclusive economic rights. The first is the permanent or temporary reproduction of the computer program, by any means or in any form, in whole or in part. Secondly, the right holder has the right of alteration of the program and reproduction of the results thereof,<sup>24</sup> without prejudice to the rights of the person who alters the program. Thirdly, the Software Act grants the right of distribution of the program (or its copies) to the right holder, which includes rental. However, following Article 8(2) of the Software Act, the right of distribution has its scope limited by the rule of exhaustion in what sale is concerned.

In addition to these exclusive rights, the original individual creator might be entitled to a special remuneration right if the following conditions are met: (i) the program far exceeds the function or job for which he was engaged; (ii) the computer program was put to other uses or generated benefits that were not included nor foreseen when the payment was agreed.<sup>25</sup>

Finally, according to Article 49 of the PCA — applicable to software via Article 11(2) of the Software Act — the original individual creator might also be entitled to a supplementary compensation where he assigned or encumbered his economic rights against payment. This compensation is due if the creator has undergone severe economic damages derived from the disproportionality between that payment and the profit made by the exploiter. This right, however, lasts only for two years counting from when the creator became aware of the existence of damages.

## **Exceptions to Exclusive Rights**

Unlike the Software Directive, the Software Act does not devise exceptions only. Instead, the Portuguese legislator granted certain rights to the lawful user, which correspond to the exceptions in Article 5 of the Software Directive. The different terminology can in theory have some implications — namely, while rights can be interpreted broadly, exceptions must be narrowly construed. Hence, it is possible that these “rights” of the lawful user are in practice broader than the corresponding exceptions put forth by the Software Directive.

Article 6 of the Software Act allows the lawful user to make a back-up copy (paragraph 1 (a)); to observe, study or test the functioning of the program in order to determine the ideas and principles that underlie any element of the program if he does so while performing any of the acts of loading, displaying, running, transmitting or storing the program (paragraph 1 (b)); and to load,

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<sup>24</sup>For other types of commissioned works or works created by employees, the contractor or the employee must give their consent for the company who owns the rights to alter the work (art. 15(2) of the PCA). However, according to art. 3(5) of the Software Act, that rule does not apply to computer programs.

<sup>25</sup>See art. 14(4) of the PCA and art. 3(4) of the Software Act.

display, run, transmit or store the program, in order to use it or for purposes of error correction (paragraph 2).

Out of these rights, only the last one can be overridden by contract — any contractual provisions contrary to the first two rights shall be null and void.<sup>26</sup>

The Software Act further implemented the decompilation exception in more or less the same terms as the Software Directive.<sup>27</sup> However, while the Directive prescribes as null and void contractual clauses contrary to the whole provision, the Software Act only makes mandatory the rules on access to information. The rules on the use of the information obtained — e.g., use for purposes other than interoperability — can be overridden by contract.

Deviating further from the Software Directive, the Software Act extended the general copyright exceptions to the regime of computer programs, save for the private copy exception.<sup>28</sup> Article 75 of the PCA is the main provision that regulates copyright exceptions and, following the implementation of the Information Society Directive, establishes 19 exceptions to the exclusive rights. Article 10 of the Software Act clarifies that such exceptions are only applicable if compatible with computer programs, but the provision might still have the effect of granting a higher number of exceptions than those allowed by the Directive.

Moreover, Article 10(2) puts forth another exception that was also not part of the Software Directive: the free analysis of computer programs as objects of scientific research and teaching. This differs from Article 6(1)(a), which links the observation, studying or testing to the functioning of the program in order to determine its ideas or principles — probably, e.g., to improve the performance of that particular program. Article 10(2), on the other hand, has a more general nature, in that its aims are scientific research and teaching.<sup>29</sup>

## Moral Rights

The Software Act does not expressly mention moral rights. Still, Article 9 grants to the “original right holder” the right to be named as the author of the program and the right to claim authorship over it, which comes down to the moral right of paternity.<sup>30</sup> Here, the term “original right holder” should be taken to mean the individual creator and not a legal person - it is commonly accepted that Portuguese law only allows natural persons to hold moral rights.<sup>31</sup>

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<sup>26</sup>See art. 6(2) of the Software Act.

<sup>27</sup>See art. 6 of the Software Directive and art. 7 of the Software Act.

<sup>28</sup>See art. 10 (1) of the Software Act.

<sup>29</sup>See MARQUES & MARTINS, pp. 627-629.

<sup>30</sup>See ROCHA & CORDEIRO, pp. 44-45.

<sup>31</sup>Ibid. See also ASCENSÃO 1992, p. 168 and A. L. DIAS PEREIRA, *Direitos de Autor e Liberdade de Informação*, Almedina, 2008, pp.460-482. Contra, arguing that moral rights can be held by other entities, see ALBERTO DE SA E MELLO, *Contrato de Direito de Autor: A autonomia contratual na formação do direito de autor*, Almedina, 2008, p.572, and L. MENEZES LEITÃO, *Direito de Autor*, Almedina, 2011 (hereinafter, “MENEZES LEITÃO 2011”), pp. 148ff. Considering that art. 9(1) does not regulate moral rights but instead

The PCA establishes more moral rights in favor of the right holder — namely, the integrity right and the right of withdrawal.<sup>32</sup> The question of whether the moral rights established in the PCA were also applicable in the context of computer programs was the subject of some controversy.<sup>33</sup> This question was somehow settled in late 2012 by the Portuguese Supreme Court, which ruled that the author of a computer program has “minimum moral rights, being entitled not only to the right of paternity, but also to the right of integrity.”<sup>34</sup> The right of integrity was at the center of the case, but it can be argued that the Court’s ruling might be extended to also include the right of withdrawal in the “minimum moral rights” granted to the author of a computer program.

Moreover, the regime of moral rights as established by the PCA should be applicable to these moral rights admitted in the context of the Software Act. Thus, the moral rights of the author of a computer program are unwaivable and inalienable.<sup>35</sup>

### **Term of protection**

As a result of the Council Directive 93/98/EEC, harmonizing the term of protection of copyright and certain related rights, the same term applies for computer programs and other works of authorship. The duration of protection will thus last until 70 years after the death of the author.<sup>36</sup> If however the rights are originally granted to someone other than the intellectual creator (i.e., the natural person who created the program), the duration is counted from the date when the program was first lawfully published or divulged.<sup>37</sup>

### **Copyright contracts**

Apart from the rules on ownership of programs created by employees or contractors — which, as seen above, might be considered to establish either original ownership or assignment in favor of a company, Article 11 of the Software Act lays down the contractual regime applicable to computer programs.

Paragraph 1 of the provision mandates the application of the general regime of contracts and in particular of the norms relating to the specific contract at stake, or the most similar one, i.e. that which presents the greatest degree of analogy.<sup>38</sup>

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economic rights, see VIEIRA 2005, pp.727ff (arguing that only art. 9(2) regulates moral rights).

<sup>32</sup>Arts 56 and 62 respectively.

<sup>33</sup>ROCHA & CORDEIRO, p. 45, held that the creator of a computer program was not entitled to the moral rights granted by the PCA, while VIEIRA 2005, pp. 727-730, had the opposite opinion.

<sup>34</sup>See decision of the Portuguese Supreme Court of November 29, 2012 (translation by the authors).

<sup>35</sup>MARQUES & MARTINS, p. 631. See art. 56(2) of the PCA.

<sup>36</sup>Art. 36(1) of the PCA.

<sup>37</sup>Art. 36(2) of the PCA.

<sup>38</sup>See art. 11(3) of the Software Act. On analogy, see art. 10(2) of the Civil Code.

This refers back to the Civil Code, but also to the Electronic Commerce Act,<sup>39</sup> which regulates electronic contracts, with an emphasis on consumer related provisions.<sup>40</sup> It is here important to note the general connection between the PCA and the Civil Code, as set forth in Article 1303(2) of the Civil Code.<sup>41</sup> According to this provision, the rules of the Civil Code apply in the alternative to intellectual property rights (including copyright), when they are coherent therewith and do not contradict special rules set forth in relation thereto.<sup>42</sup> In any case, the mention of typified contracts and analogy means that civil rules and legal theories applying thereto prevail over those applying to atypical contracts, requiring a case by case assessment of potential analogies to regulated contracts (e.g. sale and purchase, donation, lease, etc.) and its careful application by the interpreter.<sup>43</sup>

Paragraph 2 of Article 11 establishes that certain provisions of the PCA are applicable to computer programs.<sup>44</sup> These concern, *inter alia*, the norms on usufruct and pledge of copyright,<sup>45</sup> and the assignment of rights in future works (which is only valid for works created within the following 10 years).<sup>46</sup>

The reference to particular norms of the PCA on copyright contracts leads to the conclusion that the other norms not referred to are not applicable to software contracts.<sup>47</sup> Significantly, it is the case of Articles 43 and 44 of the PCA, which regulate the formalities inherent to assignments of copyright. Because of the lack of reference to these provisions, then, it seems that assignments of rights in software are not subject to the same formal requirements as any other type of copyright assignments (written contract with signatures recognized by a notary public in the case of partial assignment, and public deed in the case of total assignment).<sup>48</sup>

The same goes for the formalities applicable to licensing. According to Article 41 of the PCA, copyright licenses must take the form of a written agreement and

<sup>39</sup>Decree-Law 7/2004, of January 7, as last amended by Law 46/2012, of August 29 (hereinafter, the “Electronic Commerce Act”).

<sup>40</sup>A.L. DIAS PEREIRA, “Contratos de licenças de software e de bases de dados”, in *Contratos de Direito de Autor e de Direito Industrial*, Almedina, 2011, pp. 345-368 (hereinafter, “DIAS PEREIRA 2011”), p. 351.

<sup>41</sup>For an overview of intellectual property rights and the application of the Civil Code rules thereto, see C. FERREIRA DE ALMEIDA, “Contratos de Propriedade Intelectual. Uma Síntese”, in *Contratos de Direito de Autor e de Direito Industrial*, Almedina, 2011, pp. 9-24 (hereinafter, “FERREIRA DE ALMEIDA 2011”).

<sup>42</sup>See T. BESSA, “Direito de Autor e Licenças (Voluntárias) de Exploração da Obra”, *Revista da Ordem dos Advogados*, Ano 72, IV (Separata) (2012), pp. 1129-1242 (hereinafter, “BESSA 2012”), pp.1149-1152.

<sup>43</sup>See DIAS PEREIRA 2011, pp. 351-352.

<sup>44</sup>Specifically, arts 40, 45 to 51 and 55 of the PCA.

<sup>45</sup>Arts 45 and 46 of the PCA.

<sup>46</sup>Art. 48 of the PCA.

<sup>47</sup>ROCHA & CORDEIRO, p. 49; DIAS PEREIRA 2011, p. 352. See *contra*, however, MARQUES & MARTINS, pp. 630-631.

<sup>48</sup>However, see BESSA 2012, pp. 1161ff., explaining that the most stringent formal requirements might not apply to most copyright contracts in light of legal changes to rules applying to public deeds, certification and notarial authentication of documents.

must contain certain elements, such as the authorized form of use, geographical scope and price. Since Article 41 of the PCA is not part of the provisions that the Software Act refers to, these formalities would not be applicable to software licensing either.

Finally, Article 11(3) stipulates that software contracts must be interpreted in accordance with the principle of good faith and their ambit construed according to their purpose.<sup>49</sup>

All in all, Article 11 combines different legal sources to form the legal regime of software contracts. This might bring about some legal uncertainty for purposes of identifying the nature of a given software contract, and the regime thereby applicable to that specific situation. In any case, it should be kept in mind that, in the context of contract law, the rule is the contractual freedom of the parties.<sup>50</sup> Therefore, parties can choose the legal regime that better suits their needs, provided that no mandatory rules are infringed.<sup>51</sup>

In this context, it should be emphasized that the Software Act does not establish a legal regime for the formation, formal requirements and effects of software licensing agreements.<sup>52</sup> Such regime must therefore be found by articulating the rules explained above.

There is some controversy about whether the specific rules on typified contracts apply to software agreements.<sup>53</sup> Some authors resort to a purpose bound interpretation of software agreements to identify parallels between these agreements and typified contracts — such as lease — thus rejecting the qualification of those as atypical.<sup>54</sup> Consequently, the rules of the identified typical contract would apply directly to the software agreement, in combination with rules for typified copyright contracts (e.g. publishing); an example would be the application of the rules of lease (in the Civil Code) and those of publishing agreements (in the PCA) to OEM software deals that involve the production and distribution of software.<sup>55</sup> Conversely, other authors focus on the immaterial nature of software works, rejecting the direct applicability of rules on contracts that regulate the use and exploitation of material goods. This position would lead to the

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<sup>49</sup>The term “license” is not typified in any legal instrument, covering a broad range of agreements, which means that the “purpose” bound interpretation postulated in the Software Act gains a special weight - see DIAS PEREIRA 2011, p. 350.

<sup>50</sup>See art. 405 of the Civil Code. On the application of this principle to copyright license agreements, see J.O. ASCENSÃO, “A *Licença* o Direito Intelectual”, in “Contratos de Propriedade Intelectual. Uma Síntese”, in *Contratos de Direito de Autor e de Direito Industrial*, Almedina, 2011, pp. 93-112, (hereinafter, “ASCENSÃO 2011”), pp. 106ff.

<sup>51</sup>MARQUES & MARTINS, pp. 629-630.

<sup>52</sup>See DIAS PEREIRA 2011, p. 352.

<sup>53</sup>For an overview of this discussion see, inter alia, FERREIRA DE ALMEIDA 2011, pp. 17-21, and C. TRABUCO, “O direito de autor e as licenças de utilização sobre programas de computador — o contributo dos contratos para a compreensão do direito”, in *Themis. Revista da Faculdade de Direito da Universidade Nova de Lisboa* VIII, n. 15, 2008 (hereinafter, “TRABUCO 2008”), pp. 139-169.

<sup>54</sup>See DIAS PEREIRA 2011, pp. 353-354, and BESSA 2012, pp. 1242-1246.

<sup>55</sup>The example is provided by DIAS PEREIRA 2011, pp. 354-355.



application of rules from typified contracts only through analogy, meaning that matters of formation, formal requirements and efficacy could only be regulated by general rules on juridical relations as applied to contracts, implying a greater degree of flexibility.<sup>56</sup> We are of the opinion the latter interpretation is more coherent when confronting the legal regime with contractual practices on software, most notably end-user license agreements concluded online.

In fact, online software license agreements are an instance of electronic distance contracts, meaning that they may call upon the application not only of the rules mentioned above (such as the Software Act, the PCA, the Civil Code and the Electronic Commerce Act), but also rules on distance contracts (in the Distance Contracts Act<sup>57</sup>), and standardized agreements (in the Standardized Terms in Contracts Act or “STCA”<sup>58</sup>), which are particularly protective of consumers and translate into additional restrictions to freedom of contract.

This complexity is notorious considering that most end-user software licenses are in fact standard contracts, where there is no possibility for users to negotiate particular clauses. Such standard contracts are entered into by the user following the signing of the terms and conditions, by opening the packaging, by clicking or selecting an “I agree” button, or by any other action whereby acceptance can be assumed. That being the case, the STCA applies.

The STCA states a general principle of prohibition of clauses contrary to principles of good faith.<sup>59</sup> Moreover, it forbids the use of certain clauses in standardized B2B contracts<sup>60</sup> and in standardized B2C contracts.<sup>61</sup> Two types of open lists are put forth in each context: absolutely forbidden and relatively forbidden clauses (also called, respectively, “black list” and “grey list”).<sup>62</sup> Both types of clauses are considered to be null and void; the difference between them is that the qualification as a relatively forbidden clause depends on a case-by-case assessment, taking into account the specific features of the contract at stake.

In relation to standardized B2B contracts, some relevant examples of absolutely forbidden clauses include: exclusion of liability for non-contractual damages;<sup>63</sup> exclusion of defaulting liability for intentional misconduct or gross negligence;<sup>64</sup> attribution of the exclusive right to interpret any clause of the contract to its

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<sup>56</sup>See TRABUCO 2008, pp. 163-169.

<sup>57</sup>Decree-Law 143/2001 (as last amended by Decree-Law 317/2009, of October 30), implementing Directive 97/7/EC of the European Parliament and of the Council of 20 May 1997 on the protection of consumers in respect of distance contracts.

<sup>58</sup>Decree-Law 446/85, of October 25 (as last amended by Decree-Law 323/2001, of December 17), implementing Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts (hereinafter, the “STCA”).

<sup>59</sup>Art. 15 of the STCA.

<sup>60</sup>Arts 18 and 19 of the STCA.

<sup>61</sup>Arts 21 and 22 of the STCA.

<sup>62</sup>C. FERREIRA DE ALMEIDA, *Direito do Consumo*, 2005, pp. 152ff.

<sup>63</sup>Art. 18 (b) of the STCA.

<sup>64</sup>Art. 18 (c) of the STCA.

drafter;<sup>65</sup> or exclusion of compensation, when admitted by law.<sup>66</sup> On the other hand, still in the context of B2B contracts, the following are examples of relatively forbidden clauses: establishment of excessively long deadlines for acceptance and rejection of proposals in favor of the drafter;<sup>67</sup> establishment of said deadlines for compliance with contractual obligations;<sup>68</sup> or clauses mandating disproportionate criminal sanctions.<sup>69</sup>

With regard to standardized B2C contracts, Article 21 prescribes as absolutely forbidden clauses, e.g., the unilateral alteration of obligations;<sup>70</sup> the unilateral verification and establishment of the quality of goods and services supplied;<sup>71</sup> or the vouching for the parties' legal or factual knowledge in relation to the contract.<sup>72</sup> Article 22 focuses on the relatively forbidden clauses in B2C contracts, namely: the excessively long duration of contract;<sup>73</sup> the free termination of contract;<sup>74</sup> the unjustified prohibition of repairs or supply by third parties;<sup>75</sup> or the demand of formalities not prescribed by law.<sup>76</sup>

In the context of software contracts, the type of clauses deemed null and void by the STCA can thus effectively curtail some choices of the right holder when entering into a contract with potential licensees or assignees.

## Enforcement

Enforcement of copyright in Portugal is regulated by Articles 195 to 211-B of the PCA, which have inter alia implemented the Enforcement Directive<sup>77</sup> and provide for a broad range of criminal provisions, preliminary administrative measures and civil actions. Criminal and civil liability are independent and can be exercised simultaneously, either in separate actions or jointly in a criminal procedure.<sup>78</sup>

Preliminary administrative measures can be requested by the author to police and administrative authorities with jurisdiction over the place of occurrence of the unauthorized use; they amount to a request that the authority causes such use to cease and, in accumulation, apprehends the totality of the revenue from

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<sup>65</sup>Art. 18 (e) of the STCA.

<sup>66</sup>Art. 18 (h) of the STCA.

<sup>67</sup>Art. 19 (a) of the STCA.

<sup>68</sup>Art. 19 (b) of the STCA.

<sup>69</sup>Art. 19 (c) of the STCA.

<sup>70</sup>Art. 21 (a) of the STCA.

<sup>71</sup>Art. 21 (b) of the STCA.

<sup>72</sup>Art. 21 (e) of the STCA.

<sup>73</sup>Art. 22(1) (a) of the STCA.

<sup>74</sup>Art. 22(1) (b) of the STCA.

<sup>75</sup>Art. 22(1)(j) of the STCA.

<sup>76</sup>Art. 22(1)(o) of the STCA.

<sup>77</sup>Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (hereinafter, the "Enforcement Directive"). The Enforcement Directive was implemented in the PCA through Law 16/2008, of April 1.

<sup>78</sup>See art. 203 of the PCA.

such unauthorized uses.<sup>79</sup>

Civil actions include: (i) rights of prior communications, information and supervision<sup>80</sup>; (ii) specific evidence gathering and preservation measures<sup>81</sup>; (iii) provisional and preliminary injunctions (which include both copyright specific measures and those available under the general civil procedure law)<sup>82</sup>; and (iv) measures to redress infringement, including a broad right to information regarding the infringing activity, the application of corrective and inhibitory measures post-infringement and the establishment of specific criteria for damages (the latter aspect is addressed in greater detail below in the “Damages” section.<sup>83</sup> /<sup>84</sup>). The possibility of application of some of these measures or their application above a certain threshold is limited to infringing acts occurring on a commercial scale.<sup>85</sup>

Preliminary administrative measures and civil actions (ii) through (iv) above seem to apply to software as a copyright protected subject matter.<sup>86</sup> This is coherent with the Software Act’s specific provision on the seizure of counterfeit software copies.<sup>87</sup> Under this provision, the seizure follows the general regime applicable to seizure of counterfeit works, being also possible to seize any devices in commerce the sole intended purpose of which is to facilitate the unauthorized removal or circumvention of any technical safeguard which may have been applied to protect a computer program.<sup>88</sup>

Procedural legitimacy for taking action belongs to the copyright holder and, where collective rights management applies, to collecting societies.<sup>89</sup> In Portugal, the only collecting society representing software rights holders is ASSOFT - Associação Portuguesa de Software.<sup>90</sup> Importantly, the position of exclusive or non-exclusive licensees of an infringed work is not addressed in the law; however, it is possible to interpret some provisions as allowing a licensee that can prove he/she is entitled to use the work (e.g. by presenting the license agreement in a judicial action) to benefit from said measures.<sup>91</sup> In any event, nothing seems to

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<sup>79</sup>See art. 209 of the PCA.

<sup>80</sup>These rights are not a consequence of the implementation of the Enforcement Directive and can be found in specific sections of the PCA, none of which however seems to apply directly to software. See MENEZES LEITÃO 2011, pp. 280-282.

<sup>81</sup>See arts 210-A and 210-B of the PCA.

<sup>82</sup>See arts 210-G, 210-H, 211-B and 227 of the PCA.

<sup>83</sup>See arts 201, 210-F, 210-I, 210-J, 211 and 227 of the PCA.

<sup>84</sup>For a more detailed analysis, proposing a very similar typology to that used in this paragraph, see MENEZES LEITÃO 2011, pp. 277-297.

<sup>85</sup>See art. 210-L of the PCA, implementing Recital 14 of the Enforcement Directive.

<sup>86</sup>See, in this sense, the reasoning in VIEIRA 2005, pp. 836-841.

<sup>87</sup>See art. 13 of the Software Act.

<sup>88</sup>This is a partial implementation of art. 7 of the Software Directive.

<sup>89</sup>See M.L. CARRETAS, “Os Novos Meios de Tutela Preventiva dos Direitos de Propriedade Intelectual no Direito Português”, (2008) 5:3 SCRIPTed 455, <http://www.law.ed.ac.uk/ahrc/script-ed/vol5-3/carretas.asp> (hereinafter, “CARRETAS 2008”), p. 460.

<sup>90</sup>See <http://www.assoft.pt/>.

<sup>91</sup>See CARRETAS 2008, pp. 461-62, citing arts. 210-G(2), 210-H(3) and 210-F(1) of the PCA (mentioning an “authorized representative”).

prevent that a third party — such as a fiduciary — is authorized by the rights holder to take action on his/her behalf, as Portuguese law does not expressly forbid fiduciary transmission of rights (e.g. to a collecting society), although some legal scholarship believes it to be invalid.<sup>92</sup>

The above considerations apply to actions based on economic exclusive rights; they do not apply regarding any claims for breach of moral rights, for which only authors (or their successors) have legitimacy.<sup>93</sup>

In what regards criminal law, the Software Act states that software is protected against unlawful reproduction and makes an express reference to Law 109/91, of 17 August<sup>94</sup>, which has been replaced by the new Cybercrime Act.<sup>95</sup> The articulation of the relevant legal instruments suggests that the Cybercrime Act should be qualified as *lex specialis* regarding the PCA and its criminal sanctions for copyright infringement.<sup>96</sup> That being the case, the Cybercrime Act limits the criminal sanctions for software infringement to acts of unlawful reproduction, dissemination and communication to the public of a computer program (presumably including any derivatives), providing jail sentences up to three years and/or equivalent fines.<sup>97</sup> The attempted form of the unlawful acts is punishable, as are acts carried out by legal persons.<sup>98</sup> Additionally, the court may rule as lost in favor of the state any objects, materials, equipment or devices used and owned by the author of the crimes.<sup>99</sup>

## Unprotected software and public domain software

As explained above, only software that is original in the sense that it is the author's own intellectual creation — or in the Software Act's formulation, has "creative character" — benefits from protection analogous to copyright.<sup>100</sup>

Non-original software does not come into consideration for copyright protection and can, in principle, be used freely from copyright exclusive rights.<sup>101</sup> However, the functional nature of most software dictates that the threshold of creativity required for protection is relatively low, meaning in practice that most software

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<sup>92</sup>See ASCENSÃO 2011, p. 107, arguing that fiduciary transmission to a collecting society is a violation of public order as it excludes an author's contractual autonomy vis-à-vis his/her work.

<sup>93</sup>See art. 57 of the PCA.

<sup>94</sup>See art. 14 of the Software Act.

<sup>95</sup>Law 109/2009, of September 15 (hereinafter, the "Cybercrime Act").

<sup>96</sup>In this sense, see VIEIRA 2005, pp. 838-839. For a critical interpretation of this provision, see MARQUES & MARTINS, pp. 911-916.

<sup>97</sup>See art. 8(1) of the Cybercrime Act.

<sup>98</sup>See arts 8(3) and 9 of the Cybercrime Act.

<sup>99</sup>See art. 10 of the Cybercrime Act.

<sup>100</sup>See *supra* section on "Moral rights". See art. 1(2) of the Software Act. On the standard of author's own intellectual creation and its interpretation by the CJEU, see E. ROSATI, *Originality In EU Copyright: Full Harmonization through Case Law* (Edward Elgar, 2013).

<sup>101</sup>A contrario, the use of non-copyrightable software might be restricted in specific cases by virtue of contractual stipulations or as the result of the applications of legal provisions, e.g. on competition law or unfair competition.

that is not a copy from another computer program and bears a minimum trait of connection to its author will in principle be afforded legal protection.

Under Portuguese law, there are no software subject matter specific public domain rules. Instead, the general rules in the PCA apply, meaning that public domain is limited to works for which the copyright term has expired.<sup>102</sup>

Public domain software — if any exists — can be used, reproduced or executed freely without permission or the payment of a fee. It can in certain cases even be presented by third parties as their own work<sup>103</sup>, and by modifying the original work, third parties can take certain versions of said software out of the public domain.

## Analysis of FOSS under Portuguese Law

From a conceptual and legal perspective, FOSS is identical to other types of software, and benefits from similar protection. Portuguese copyright law fully supports the rights of the copyright holder to stipulate terms and conditions in a software license, having the exclusive right to exercise or authorize the use of the rights of reproduction, transformation, distribution, and communication to the public/making available. Therefore, absent public policy prohibitions, a rights holder is entitled to select the conditions under which he/she licenses software to third parties, such as via a FOSS license.

Under Portuguese law, FOSS should be considered as software to which users generally have more rights of use than under a proprietary or “non-free” software license. This is so due to the breadth and scope of the underlying FOSS license agreement. As such, and assuming the validity of a FOSS license, its terms and conditions must be respected by the user-licensee.

That being said, it is important to note that FOSS licenses deviate significantly from conventional license agreements. Such deviation raises issues as to the application thereto of specific qualifications that may be valid for other software agreements. To compound on the problem, and as noted above, the wording of the Software Act has led to extensive debate in Portugal as to the different possible legal qualifications of software agreements.<sup>104</sup> In the balance of this debate, we believe that FOSS licenses should be considered as *sui generis* or atypical license agreements, even if they are still based on similar mechanisms to those of license contracts in general, and of end-user software license agreements in particular.

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<sup>102</sup>See art. 38 of the PCA.

<sup>103</sup>This would happen in the rare case where the original work was not published, its term of protection elapses and a third party subsequently causes the software work to be published; in such a scenario, the third party will be afforded copyright protection over the patrimonial content of the work for a term of 25 years (see arts 38 and 39(1) of the PCA).

<sup>104</sup>See art. 11 of the Software Act and the discussion *supra* in the section “Copyright Contracts”.

## Copyrights

Although FOSS can be written and owned by one person or be owned by one legal entity<sup>105</sup>, generally speaking, after some time the software is the result of the work of several authors who can make claims to it.

The crucial question is whether later additions create a joint work — i.e. a work created by collaborating authors giving rise to co-authorship configurations, or whether the original software is the end work and every contribution created during the further development of the software is to be deemed a composite or derivative work.<sup>106</sup> The legal consequences are different at both authorship and ownership levels.<sup>107</sup>

## Qualification of FOSS

For FOSS to be qualified as a joint work of co-authors it is not necessary for every co-author to have contributed equally, nor are co-authors required to work on it simultaneously; however, it is necessary that each contributor intervenes during the creative process and that the contribution is worthy of copyright protection.<sup>108</sup> The provider of an idea is not a co-author<sup>109</sup>, nor is the person who corrects a technical error or merely follows instructions.<sup>110</sup>

Whereas the first version of the software, if written by several people, can in many cases be qualified either as a collective work (when created in the context of a company) or as a joint work, this seems much less the case for the later versions, which are based on the original work, without however there being any “consultation” between the authors.<sup>111</sup> These later versions will be qualified as composite or derivative works,<sup>112</sup> or possibly (although less likely) collective works, if the individual or entity author/editor of the new version collated or organized and directed a series of different programs to form a distinct new software based on the original. Therefore, in terms of the legal consequences,

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<sup>105</sup>See art. 3 of the Software Act, covering both software developed by employees and software developed on the basis of a work made for hire regime.

<sup>106</sup>See ASCENSÃO 2011, pp. 98-111, discussing the legal qualification of FOSS and arguing, based on the complexity within the licensing chain, that FOSS agreements go beyond licenses and should be qualified as instances of joint ownership or shared ownership (“zur gesamten Hand”). For further development of this position, see J.O. ASCENSÃO, “Modelos Colaborativos em Direitos Autorais”, in *Ensaio sobre o Direito Imaterial — Estudos em Homenagem a Newton Silveira*, Lumen Juris Editora, Rio de Janeiro, 2009, pp. 1-18.

<sup>107</sup>For an analysis of the general implications of art. 3 of the Software Act, see above section “Introduction to software under Portuguese Law, Authors/Beneficiaries”.

<sup>108</sup>See arts 16(1)(b) and 17 of the PCA. Art. 17(4) excludes from consideration as co-authors individuals that have merely assisted in the production and dissemination of the work. In the context of software, that would cover for example a tester or non-substantial bug-fixer.

<sup>109</sup>The idea/expression dichotomy results clearly from art. 1 (1) and (2) of the PCA.

<sup>110</sup>See the above cited art. 17(4) of the PCA.

<sup>111</sup>This “consultation” element is an essential element in the qualification of a work as “joint”, given that a certain “planned and concerted action” of co-authors is required. See ASCENSÃO 1992, p. 128. See also MENEZES LEITÃO 2011, p. 110.

<sup>112</sup>See art. 5(b) of the Software Act, using the term “derivative programs” for software subject to a transformative use.

a distinction needs to be made between the rights of the original owner, the original co-authors and the rights of people or entities who carry out work based on the original work.

### **Rights of the original co-authors**

The general authorship and ownership rules of the PCA apply to the creation/production of software.<sup>113</sup> However, if a software work is made in the context of a company, there is a legal presumption that the software is a collective work.<sup>114</sup> Collective works are regulated in Articles 16-19 of the PCA. The law defines collective works as those organized by initiative of an individual or collective entity and that are divulged or published in said entity's name.<sup>115</sup> The copyright of a collective work is granted to the entity that has organized and directed its creation and in the name of which it has been divulged or published.<sup>116</sup>

The full application of the collective works regime presupposes that the individual contribution of every author in the software work cannot be discerned or clearly distinguished, i.e. that the work is "indivisible".<sup>117</sup> If however it is possible to make a distinction of individual contribution(s) within the collective work, then the law foresees the application of a different legal regime to that contribution(s), namely the regime of joint works.<sup>118</sup>

A distinction then must be made between two potentially applicable legal regimes. First, if a FOSS work is made in the context of a company and individual contributions cannot be distinguished, the rules on collective works apply. Likewise if the FOSS work is created by an employee in the performance of his professional functions or as a result of instructions of the employer, unless the employment contract (i) states otherwise or (ii) is silent and the purposes of the contract lead to a different conclusion.<sup>119</sup>

Most FOSS works will likely not be made in the context of a company, meaning that the legal presumption of application of the collective work provisions will not operate. This leads to the second possibility, where the FOSS work is deemed a joint work, which the law defines as the work divulged or published

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<sup>113</sup>See art. 3(2) of the Software Act, establishing a legal presumption (*juris tantum*) that a work created within a company is a collective work. Arts 16(1)(a) and 19 of the PCA establish the general regime applying to collective works. It should be noted that in traditional commercial software production scenarios the application of the provisions in art. 3 will lead to the ownership of the copyright in the software being vested in the company or employer. See ROCHA & CORDEIRO, pp. 26-28.

<sup>114</sup>See art. 3(2) of the Software Act.

<sup>115</sup>See art. 16(1)(b) of the PCA.

<sup>116</sup>Art. 19(1) of the PCA. See ROCHA & CORDEIRO, at 26-28. See also above section "Introduction to software protection under Portuguese law, Authors/Beneficiaries".

<sup>117</sup>See art. 19(2) of the PCA, first part.

<sup>118</sup>See art. 19(2) of the PCA, final part.

<sup>119</sup>Art. 3(3) of the Software Act. See above section "Introduction to software protection under Portuguese law, Authors/Beneficiaries".

in the name of all the collaborators (co-authors) or some of them, whether or not individual contributions can be distinguished.<sup>120</sup>

In sum, severable contributions both in collective works and joint works are subject to the same rules.<sup>121</sup> Indivisible contributions follow different regimes, specific to the type of work: for collective works the rights of the contributors in their indivisible contribution are vested in the individual or entity that is presumed to own the work; for joint works, the legal regime is different and allows for a degree of contractual freedom among co-authors.

The legal regime for joint works can be summarized as follows. First, the copyright ownership of the work, in its unity, belongs to all co-authors and is regulated pursuant to the rules on co-ownership for the common exercise of the rights in that work, as set forth in the Civil Code.<sup>122</sup> Consequently, for indivisible works, each of the co-authors must be authorized by the other in order to exercise his/her copyright separately; in other words, joint exercise is mandated as general rule.<sup>123</sup> However, if no agreement is reached, then it will be possible for any of the co-authors to use the joint work, as long as he/she does so for the purposes for which the work was created and does not exclude the remaining co-authors from its use.<sup>124</sup> Moreover, exercise of copyright over the indivisible joint work is possible pursuant to decisions taken by simple majority of the co-authors.<sup>125</sup>

Second, the specific value of each contribution may be freely stipulated amongst the co-authors; if it is not agreed to in writing, then all contributions are deemed to be of identical value.<sup>126</sup> As mentioned above, those individuals that merely provide assistance to authors in the production and divulgation of the work are not deemed co-authors and, for that reason, do not participate in the copyright on the joint work.<sup>127</sup>

Third, it is possible that a joint work is divulged or published solely in the name of one or a few of the collaborators, in which case a legal presumption operates: if there is no specific designation of the remaining co-authors in any part of the work, the law assumes that the non-designated collaborators have assigned their rights to the named co-authors.<sup>128</sup>

Portuguese law provides for two exceptions to this general regime, applying to severable contributions of individual co-authors (or, by reference, to homolo-

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<sup>120</sup>See art. 16(1)(a) of the of the PCA.

<sup>121</sup>These rules can be found in art. 18 of the PCA and are discussed below.

<sup>122</sup>See art. 17(1) of the PCA. The rules on co-ownership can be found in arts 1403-1413 of the Civil Code.

<sup>123</sup>See arts 1403-1413 of the Civil Code.

<sup>124</sup>See art. 1406 of the Civil Code.

<sup>125</sup>See arts 1406 and 985 of the Civil Code.

<sup>126</sup>See art. 17(2) of the PCA. This rule is identical to that of art. 1403 of the Civil Code.

<sup>127</sup>See art. 17(4) of the PCA.

<sup>128</sup>See art. 17(3) of the PCA.



gous contributors to collective works).<sup>129</sup> On the one hand, any contributor can request the divulgation, publication, exploitation or modification of the joint work; in case of dispute, the matter must be settled under rules of good faith.<sup>130</sup> That is a deviation from the simple majority rule applicable to indivisible works.<sup>131</sup> On the other hand and in addition, any contributor can, without prejudice to the joint exploitation of the overall work, individually exercise the rights pertaining to his identifiable contribution.<sup>132</sup>

On balance, the default legal regime described above, together with the principle of freedom of contract, seem sufficiently compatible with overall authorship and ownership stipulations in typical FOSS licenses. What such regime does not allow and the general Portuguese regime does not permit are agreements that constitute waivers to moral rights, as discussed in greater detail below.<sup>133</sup>

### Authors of derivative or composite works

After some time FOSS will, in most cases, be a composite or derivative work.<sup>134</sup> Composite works are those that incorporate, in the whole or in part, a pre-existing work, while derivative works are those that imply a transformation of a pre-existing work; in both instances, the incorporation or transformation would be done with the authorization but without the collaboration or “consultation” of the rights holder of the underlying work.<sup>135</sup> The last aspect distinguishes composite or derivative works from joint works.

The authors of the composite or derivative work are the only persons with a copyright on their work.<sup>136</sup> This is an independent and full copyright, which is restricted insofar as the composite or derivative work cannot be operated without the consent of the owner of the copyright on the original or pre-existing work.<sup>137</sup> For typical FOSS licenses, this consent should theoretically not pose a problem as it is included in the license; this, of course, subject to the compliance with the terms and conditions of said license (e.g. regarding further distribution

<sup>129</sup>See arts 18 and 19(2) of the PCA.

<sup>130</sup>See art. 18(1) of the PCA.

<sup>131</sup>See L. F. REBELLO, *Código do Direito de Autor e dos Direitos Conexos*, Anotado, 3.a ed., Revista e Atualizada, Âncora Editora, Lisboa, 2002 (hereinafter, “REBELLO 2002”), p. 62.

<sup>132</sup>See art. 18(2) of the PCA.

<sup>133</sup>See infra section “Moral Rights in FOSS”. On this topic, see also above section “Moral Rights”.

<sup>134</sup>See art. 20 of the PCA, using the terminology “composite work” (“obra compósita”). The Software Act contains no similar provision, although it does prescribe for an exclusive right of transformation of the computer program, as well as reproduction of the derivative work, under its art. 5(b), which mentions “derivative (computer) programs” (“programas derivados”).

<sup>135</sup>For composite works, see art. 20(1) of the PCA and, for derivative works, see arts 3 of the PCA and 5(b) of the Software Act.

<sup>136</sup>See art. 20(2) of the PCA.

<sup>137</sup>See arts 20(2) of the PCA (mentioning that the right is without prejudice of the exclusive rights of the author of the pre-existing work) and 5(b) of the Software Act (granting an right of reproduction to the owner of the pre-existing work in future uses of the derivative work).

of the derivative work).<sup>138</sup> In fact, such consent would equate to an authorization for a specific use (incorporation, adaptation or transformation), meaning that it would in principle not trigger the application of the most problematic formal requirements applying to assignments or transmissions of copyright under Portuguese law.<sup>139</sup> This contractual structure would also in principle allow authors in both works to judicially enforce their respective copyrights.

## Management of copyrights

With the purpose of controlling the chain of copyright ownership in a more efficient manner, it may be useful to concentrate all copyrights concerning a FOSS project within one organization, with the aim to simplify the management and jointly enforce rights. The contractual method underlying such concentration of rights is however a crucial issue under Portuguese Law.

One of the possible methods is via a transfer or assignment, as suggested for example by the Free Software Foundation Europe (“FSFE”), which provides a Fiduciary License Agreement (“FLA”) for rights holders to assign their rights to a fiduciary, preferably the FSFE itself.<sup>140</sup> In general terms, the fiduciary transfer means that the assignee shall not act on his own name and behalf but on account of the assignors (typically the original authors).

Such contractual arrangement does not correspond per se to an instance of collective rights management, which is subject to specific authorization and supervision requirements under Portuguese law.<sup>141</sup> Moreover, contrary to other countries,<sup>142</sup> collective rights management in Portugal is not so much based on a fiduciary transfer of copyrights, but more on a licensing and representation mechanism.<sup>143</sup>

Not being a case of (regulated) collective rights management, such agreements would need to conform to the general rules on contractual assignments of copyright applicable to software works, which are far from uncontroversial under Portuguese Law.<sup>144</sup>

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<sup>138</sup>The copyright holders on the original work don’t obtain any rights in the derivative work. They can however, restrict or stop the exploitation of the derivative work. See F. DE VISSCHER & B. MICHAUX, *Precis du droit d’auteur et des droits voisins*, Bruylant, Brussels, 2000, p. 42.

<sup>139</sup>For a discussion of these requirements, see *supra* the section “Copyright Contracts”.

<sup>140</sup>For an overview of the FLA see <http://fsfe.org/activities/ftf/fla.en.html>. For an analysis of the FLA also under Belgian law, see Y. VAN DEN BRANDE, “The Fiduciary Licence Agreement: Appointing legal guardians for Free Software Projects”, *IFOSS L. Rev.*, Vol 1, Issue 1, p. 9.

<sup>141</sup>See arts 72-74 of the PCA, as well as Decree-Law 433/78, of December 27 (on the registration of collective management organizations), and Law 83/2001, of August 3 (on the constitution, organization and functioning of collective management organizations).

<sup>142</sup>E.g. Belgium. See Y. VAN DEN BRANDE, “Belgium”, *The International Free and Open Source Software Law Book*, <http://ifosslawbook.org/belgium/>.

<sup>143</sup>See art. 12 of Law 83/2001, of August 3. On the potential invalidity of fiduciary transmissions of copyrights from authors to collecting societies, see ASCENSÃO 2011, p. 107.

<sup>144</sup>See *supra* section “Copyright Contracts”.

In general, there are two possible interpretations of the legal rules of assignment in this field, depending on how one articulates the relevant provisions of the Software Act, the PCA and the Civil Code.

On the one hand, it is possible to argue that the Software Act contains a special regime for contracts, whereby a particular agreement is subject to the general rules on contracts in the Civil Code plus the rules on typified contracts that present the greatest similarities to the underlying deal, but excluding provisions of the PCA not expressly mentioned by the Software Act in its Article 11(2).<sup>145</sup> Among the omitted provisions are those anachronistic PCA rules on partial and total assignments, which impose severe formal requirements on copyright assignments, under penalty of nullity.<sup>146</sup> Under this interpretation, an agreement such as the FLA would probably be valid vis-à-vis Portuguese Law.

Alternatively, if it is considered that the PCA provisions on assignments apply, it is difficult to defend the validity of a transfer under the FLA, as it fails to comply with essential formal requirements; this would entail the nullity of such agreements.<sup>147</sup> However, if the agreement in question contains provisions whereby an assignment is converted into a broad grant of rights in countries where the first contractual method is not legally admissible — as is the case with the FLA<sup>148</sup> —, then it is possible to argue in favor of the validity of such agreement.

Given the lack of legal certainty as to requirements applying to assignments and the formal requirements the PCA attaches thereto, it is arguable that a concentration of rights in a single organization via broad authorization of use contractual schemes constitutes a superior solution to secure the validity and effectiveness of the method.

### **Moral rights and FOSS**

The US origin of FOSS is perhaps in no issue clearer than in its treatment of moral rights, a subject to which it attaches comparatively less importance than countries in civil law systems.<sup>149</sup> In this respect, the Open Source Definition specifies that the author of software distributed under a FOSS license cannot oppose the use of the software by certain people and groups or for certain areas

<sup>145</sup>See ROCHA & CORDEIRO, pp. 48-50.

<sup>146</sup>See supra section “Copyright Contracts” and the discussion on the formal requirements of arts 43 and 44 of the PCA.

<sup>147</sup>See arts. 43(2) and 43 of the PCA. The legal regime of nullity of a legal transaction is set forth in arts 285-294 of the Civil Code.

<sup>148</sup>See FLA, art. 1(1). See also <http://fsfe.org/activities/ftf/fla.en.html>: “Beneficiaries of the FLA assign the copyright in their work, and in countries where assignments of the copyright in a work are impossible, they grant the fiduciary an exclusive license (see §1(1) for details). Therefore, the FLA is designed to work in both civil and common law countries.”

<sup>149</sup>See P. Goldstein & P.B. Hugenholtz, *International Copyright. Principles, Law, and Practice*, Third Edition (New York: Oxford University Press 2012), pp. 358-361.

of application.<sup>150</sup> The question then becomes what is the admissibility of such provisions when they purport to constitute a waiver of moral rights.

Here, again, Portuguese law is not clear. As mentioned before, the Software Act does not expressly mention moral rights, but its Article 9 is usually interpreted as covering this topic.<sup>151</sup> This provision guarantees the original rights holder (understood in this Chapter as the natural person) the right to be mentioned by name in the program and that of claiming its authorship, being silent on the applicability of other moral rights set forth in the PCA.<sup>152</sup>

Also as mentioned above, some legal scholarship has interpreted this provision as meaning, a contrario sensu, that no other moral rights are granted to authors of software works.<sup>153</sup> Such interpretation would mean that an author of a FOSS work would not even have to proceed to a global renouncement of the future exercise of moral rights (other than mention of name and paternity), as he would not be deemed to have such rights.

Even if this argumentation is solid, we note that it's not unanimous, with relevant legal scholarship defending that software authors have the same moral rights as prescribed for most authors under the PCA, although to a reduced degree, given the specific nature of software as a work of authorship.<sup>154</sup> That reduced degree is particularly important, as the Software Act grants a broad right of transformation, the scope of which limits to a significant extent that of the moral right of integrity,<sup>155</sup> and would probably accommodate most FOSS licensing provisions enabling downstream derivative works. Such interpretation is likely the most coherent with the aforementioned Portuguese Supreme Court ruling of 2012 recognizing "minimum moral rights" to authors of computer programs.<sup>156</sup>

## Enforcing FOSS licenses

### General Considerations

The question of whether a FOSS license can be enforced under the Portuguese legal system depends on whether a valid license was issued. For the assessment of such validity inquiry, two essential questions must be answered: (i) who are the contracting parties, and (ii) has the license been validly reached? We will answer these questions in turn against the backdrop of our previous framing

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<sup>150</sup>See the Clauses 5 and 6 of the Open Source Definition ("OSD"), <http://opensource.org/osd>.

<sup>151</sup>See supra section "Moral Copyrights". See also ROCHA & CORDEIRO, pp. 44-45.

<sup>152</sup>See arts 14(3) and 27-30 of the PCA, regulating moral rights and issues related to the name of the author. See also arts 56-62 of the PCA regarding specific moral rights.

<sup>153</sup>See ROCHA & CORDEIRO, p. 45. Apparently accepting such limited interpretation, see DIAS PEREIRA 2011, p. 348.

<sup>154</sup>See VIEIRA 2005, pp. 719-741.

<sup>155</sup>Id., pp. 736-740.

<sup>156</sup>See above the section "Introduction.../ Moral Rights".

of the regime applicable to software contracts under Portuguese law.<sup>157</sup> Some preliminary remarks are however required.

Copyright protection of software via exclusive rights implies that use of protected works (such as FOSS) requires authorization by the respective owners, except when such use is covered by an exception or limitation. FOSS licenses are designed to provide such authorization, a construct which is conceptually distinct from that of a copyright assignment or transmission. As noted above, Article 11 of the Software Act opens the door for the use of external contractual rules not only of the PCA, but also of the Civil Code and a myriad of other legal instruments.<sup>158</sup>

The application of some of these rules impacts directly the discussion on the validity of FOSS licenses. For example, as noted above, the PCA contains general provisions on formal and content requirements of copyright contracts.<sup>159</sup> The validity of FOSS licenses is discussed in greater detail below; however, it is important to note that, in what concerns content requirements, the application of the general PCA rules on copyright contracts to FOSS licenses would likely not be problematic, as these licenses in principle meet such minimum requirements.<sup>160</sup>

Moreover, in what regards qualification of FOSS licenses, these present such a specific type of use regulation that the direct application thereto of typified contracts (either in the PCA or Civil Code) seems a conceptual stretch. The predominant non-commercial purpose of the licensing aspect in such agreements (not only in terms of reproduction but also in terms of distribution or conveyance), and the focus on allowing transformations on the immaterial work that constitutes the license object do not satisfactorily overlap with existing contractual types.<sup>161</sup> Thus, matters of validity and efficacy must be addressed and evaluated in light of general rules—notably mutual consent and freedom of form—applying to software agreements, as well as admissible analogies to existing types.

Finally, part of the legal instruments and rules applying to agreements such as FOSS licenses translate into obligations of information and transparency to consumers prior to the conclusion of the contract, together with safeguards of his/her position as the party with a weaker bargaining position (i.e. the user-licensee). To that extent, taking into consideration the nature and configuration

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<sup>157</sup>See above the section “Copyright Contracts”.

<sup>158</sup>*Id.*

<sup>159</sup>*Id.*

<sup>160</sup>*Id.*

<sup>161</sup>An argument to the contrary would likely seek the application to FOSS agreements of rules governing the lending (“*locação*”) agreement in arts 1129ff. of the Civil Code. See A.L. DIAS PEREIRA, “Contratos de Software”, in *Textos de apoio ao Curso de Direito da Comunicação no ano lectivo de 1995/1996*, A. Pinto Monteiro, *Direito dos Contratos e da Publicidade*, Coimbra, 1996 (hereinafter, “DIAS PEREIRA 1996”), p. 117, admitting the possibility of application of these agreements to end-user software licenses where the use of the software is authorized for free.

of FOSS licenses, such rules do not seem to challenge per se their validity. Insofar as these rules may translate into imperative provisions in addition to the legitimate user's minimum rights in the Software Act, it is however important to ascertain whether FOSS licenses conflict with them.

### **Contracting parties**

The issue of who are the contracting parties in a FOSS licensing scheme depends on its constitution. In the simplest formulation the answer is clear: if an author makes his/her work available under a FOSS license, the license is reached as between the author and the licensee. However, if there are different co-authors, the issue becomes more complicated. With whom the licensee concludes a contract depends then on the mutual agreement between the co-authors.

In the majority of cases, a FOSS work will be the creative result of the output of several authors, who developed it in separate and not in joint consultation with each other. In fact, FOSS is typically realized via a chain of authors who all contributed to the realization of the program.

Insofar as a new author makes an original contribution to the work (i.e., with the "creative character" required by the Software Act), a composite or (most likely) a derivative work is produced.

Given that both the rights to use (reproduction) and make derivatives (transformation or adaption) fall within the purview of the author's exclusive rights, each potential licensee will require the consent of every author in the chain who made an original contribution to the eventual FOSS work, starting with the author of the first work. This consent can be direct (i.e. to the next licensee in the chain), or indirect by giving consent in the FOSS license to the next author to modify and distribute the work to subsequent authors/contributors or users.

The majority of FOSS licenses address this potential problem by introducing "viral" provisions establishing a contractual bound between the licensee and all authors in the chain of derivative works, in such a way as to expressly cover the possibility of onward licensing of each author's contribution. This has certainly been true for the several iterations of the GPL licenses, from version 1 to the current version 3<sup>162</sup>, Article 10 of which (on "Automatic Licensing of Downstream Recipients") reads, in the relevant part: "Each time you convey a covered work, the recipient automatically receives a license from the original licensors, to run, modify and propagate that work, subject to this License... You may not impose any further restrictions on the exercise of the rights granted or affirmed under this License."<sup>163</sup>

This provision builds upon and extends the homologous provisions in previous versions. It allows each user of the FOSS work to obtain a license from all

<sup>162</sup>See: GPL version 1, article 6; GPL version 2, article 6; and GPL version 3, article 10.

<sup>163</sup>See GPL version 3, article 10. The sections omitted in the citation refer to enforcement (first paragraph), "entity transaction" (whole second paragraph) and examples on restriction on the exercise of rights (part of third paragraph).

authors in the chain. Insofar as this licensing chain of (mostly) derivative works is configured as a chain of agreements for specified uses of software works to which the respective authors have consented to, it should be considered valid under Portuguese law.

### Validity of the FOSS licenses

The choice of a FOSS license by an author is motivated by the desire to distribute and make available his work to third parties, possibly subject to certain use restrictions. In that sense, it is essential that such restrictions be enforceable.

The valid formation of a contract under Portuguese Law generally requires an offer and acceptance of the offer via a manifestation of consent to be bound by the terms of the offer.<sup>164</sup> Conventional IT agreements are entered into by the explicit acceptance of the terms and conditions by the licensee following the signing of the terms and conditions, by opening the packaging, by clicking or selecting an “I agree” button or by any other action from which acceptance can be recognized. The latter examples are — similarly to FOSS licenses — pre-formulated standard contracts.<sup>165</sup> These methods to reach a licensing agreement have been sufficiently tried and tested and, at least between commercial parties, are generally considered to be valid.<sup>166</sup> FOSS licenses concluded in the same way will be valid.

Typically, in a FOSS environment, however, software is made available with the simple specification on a website (e.g., “licensed under the GPLv3 license”) or in the source code of the software that it concerns FOSS.<sup>167</sup> In such configurations, there is no requirement that the license is explicitly accepted via an affirmative manifestation of consent by the licensee. Having to click and confirm every time could in some cases interfere with the use of the software. The Open Source Definition opposes demanding explicit agreement with the license conditions with the aim of confirming the agreement between licensor and licensee.<sup>168</sup> The main question that arises here is whether in these cases a valid license is entered into.

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<sup>164</sup>See arts 217ff. of the Civil Code and, for electronic contracts, arts 24-33 of the Electronic Commerce Act.

<sup>165</sup>See DIAS PEREIRA 1996, p. 118, noting that the same are subject to the STCA. On the STCA, see above the section “Copyright Contracts”.

<sup>166</sup>See DIAS PEREIRA 1996, pp. 116-120, analyzing the issue from the perspective of the STCA. See also DIAS PEREIRA 2011, pp. 366-367, referring to both B2B and B2C agreements characterized by the online delivery of electronic files with download, and arguing for the validity of such agreements, even when based in pre-formulated standard terms and conditions.

<sup>167</sup>A typical example is provided in M. BAIN, “Spain”, in *The International Free and Open Source Software Law Book*, <http://ifosslawbook.org/spain/> (“in the code file header and with luck, in a COPYING.txt file or a /legal/ folder”).

<sup>168</sup>See Criteria 10 of the OSD, annotated, <http://opensource.org/osd-annotated>. Under the criteria that the “License Must Be Technology-Neutral”, the OSD notes that “Provisions mandating so-called *click-wrap* may conflict with important methods of software distribution such as FTP download, CD-ROM anthologies, and web mirroring; such provisions may also hinder code re-use”.

The answer to this question is unclear. FOSS licenses are subject, *inter alia*, to the rules on electronic contracts in the Electronic Commerce Act.<sup>169</sup> Although this legal instrument contains a legal fiction for consent based on a need for consent plus a subsequent confirmation by the licensee, this double consent in principle would not be required in B2B or direct (meaning online) B2C (with immediate delivery), as is the case with many FOSS licenses.<sup>170</sup> That notwithstanding, the licensee's confirmation would be required, as would minimum information requirements considering the applicable license. However, these legal provisions must be applied in the context of a FOSS licensing transaction, where the licensee is a user of a copyright protected work, who therefore is required to indicate the grounds on which he/she is able to use the work. Using the software without the author's consent entails copyright infringement. That implies that everyone who wants to use software which they find via the internet has an obligation to actively look for a license. If the user cannot prove he has a license<sup>171</sup>, he must refrain from using it. The mere availability of a software work on the internet does not mean it becomes public domain<sup>172</sup> and there is no Portuguese case law that sustains the applicability of a doctrine of implied consent (free of FOSS terms and conditions) in these cases.<sup>173</sup>

As such, it is arguable that the unavailability of the applicable terms and conditions may give rise to licensee challenges to the validity of certain clauses or terms of the contract. A licensor could respond by stating that even *de minimis* indications, coupled with the above arguments would necessarily mean that specific FOSS licensing terms apply to all such software he makes available (thus constituting the required written contract). Accordingly, a disagreement with those terms would mean a failure of the licensee to accept the applicable terms of use, the consequence being that no license had been granted and any use of the FOSS would be an infringement of copyright. Competent Portuguese Courts would in all likelihood afford relevance to business practices in the professional sector as to the conclusion of such contracts. To that point, the Portuguese practice is similar to other European countries, where it is common knowledge and practice of software developers that FOSS licenses are made available to be read in the source code or on the project website.<sup>174</sup> In sum, in this professional context any arguments that the FOSS terms were unknown or that the FOSS

<sup>169</sup>See art. 24 of the Electronic Commerce Act, which applies to all contracts concluded via electronic or computerized means, whether or not they are deemed commercial.

<sup>170</sup>See art. 29(2) of the Electronic Commerce Act, clarifying that in cases of immediate online delivery of the good (i.e. software), the consumers' acknowledgement of receipt is not required. See also DIAS PEREIRA 2011, p. 367.

<sup>171</sup>Unless a legal exception applies.

<sup>172</sup>See arts 38-39 of the PCA.

<sup>173</sup>See A.L. DIAS PEREIRA, *Direitos de Autor e Liberdade de Informação*, Almedina, 2008, pp. 582-584, discussing the minimum rights of the legitimate software user and noting that even the private use of software requires, in principle, a license granted directly or indirectly by the rights holder.

<sup>174</sup>The same is true, e.g., for Spain. See M. BAIN, "Spain", in *The International Free and Open Source Software Law Book*, <http://ifosslawbook.org/spain/>.



license did not validly bind the parties are unlikely to succeed.<sup>175</sup>

In any event, it seems doubtful that a user would benefit from disputing the existence of a FOSS license, as that would imply the invalidity of the copyright license and prevent him/her from using the FOSS.

Finally, the obligation to establish the existence of specific licensing terms governing the transaction is also relevant if we consider specific contractual rules in the PCA as directly applicable to FOSS agreements. This is because copyright contracts under PCA are subject to a principle of solemnity, meaning that they must be in written form.<sup>176</sup> The Portuguese Supreme Court and some legal scholarship qualify this requirement as a formality *ad probationem*, directed at establishing the existence of the agreement and proving it.<sup>177</sup> This position is controversial, as it is possible to instead qualify said requirement as an *ad substantiam* formality (required for the validity of the agreement itself), by focusing on the general default rule of the Civil Code that any contractual declaration inconsistent with legally prescribed formal requirements is null, unless stated otherwise.<sup>178</sup> The adoption of this argument would lead to the nullity of FOSS agreements where it is impossible to establish the underlying licensing terms.

### **Breach of FOSS licenses**

Infringement of FOSS licenses may give rise to separate claims, on the basis of copyright infringement and breach of contract.<sup>179</sup> A claim for copyright infringement is justified solely when the violation affects the exclusive rights of the author protected by copyright. This may bring about both civil and criminal measures, with the first being of significant scope post-implementation of the Enforcement Directive.<sup>180</sup> The breach of FOSS contractual clauses not based on the exclusive rights of the author does not imply copyright infringement, translating instead into breach of contract, regulated by the Civil Code. Typical examples thereof are the non-payment of royalties, insufficient exploitation of the work and the violation of non-competition obligations. The rights holder is

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<sup>175</sup>Some doubts arise in connection with the fact that FOSS licenses are in English. Here, a distinction between professionals and consumers is required. For the first, it is also a use and custom of the sector that vast majority of technical documentation is in English, meaning that courts may accept that use of English language for the license is acceptable. As regards the second, no such argument is valid.

<sup>176</sup>See art. 41(2) of the PCA. See considerations above in sections “Copyright Contracts” and “Enforcing FOSS Licenses, General Considerations” on the potential application of art. 41 (and rules of formal requirements) to software agreements.

<sup>177</sup>See decisions from the Portuguese Supreme Court of April 21, 1988, December 15, 1998, March 3, 2006, and July 1, 2008. For the legal scholarship, see: REBELLO 2002, pp. 85-86; A.M. VITORINO, *A Eficácia dos Contratos de Direito de Autor*, Almedina, 1995, pp. 27-28; and BESSA 2012, pp.1184ff.

<sup>178</sup>See art. 220 of the Civil Code. For an overview of the arguments of this section of the legal scholarship, see BESSA 2012, pp.1184ff.

<sup>179</sup>On the difficulty of distinguishing contractual breaches of copyright license agreements that translate into copyright infringement (because they impact on the core of the exclusive right) from those that merely translate into contractual liability, see ASCENSÃO 2011, pp. 1101-112.

<sup>180</sup>See arts 195-211-B of the PCA.

legally entitled to take action in civil courts under both claims. In fact, from a litigation practice standpoint, he/she would be advised to do so, due to potential challenges on the validity of the FOSS license.

### **Waiver and liability**

Typically, FOSS licenses contain very strong exoneration clauses, which discharge the author from all liability.<sup>181</sup> One of the traditional justifications of FOSS proponents for this is that FOSS is often made available without a fee, as a result of which the author generates insufficient income to pay for liability insurances and legal costs.<sup>182</sup> This argument, although uncontested vis-à-vis amateur programmers, does not apply to the same extent in relation to professional programmers who build their business model around FOSS. To cover the eventuality of being held liable for applicable default legal provisions, professional suppliers of FOSS or related services often provide guarantees and technical support, a practice allowed by some FOSS licensing terms.<sup>183</sup> The main legal issue raised in this context relates to the admissibility of such exoneration clauses under Portuguese law.

### **General rules on exclusion and limitation of liability**

Most clauses of this type are aimed at eliminating or restricting (e.g., by establishing a monetary ceiling) *ex ante* the Licensor's obligation to indemnify the licensee for damages caused by the licensed FOSS.

Under Portuguese law and in the context of contractual liability, any clause whereby the creditor (here: the licensor) waives in advance any of his legally established rights for instances of breach of contract or delay by the debtor (here: the licensee), is null and void.<sup>184</sup> This is subject to one exception: such waivers or limitations are deemed acceptable for damages resulting from acts of legal representatives and auxiliary persons, so long as the exemption does not cover acts in violation of duties imposed by norms of public order.<sup>185</sup>

This general rule is supplemented by specific rules applying to pre-formulated standard contracts, which not only prohibit general clauses contrary to the principle of good faith, but also specific exoneration clauses found in B2B and B2C agreements.<sup>186</sup> These specific rules prohibit clauses in standardized contracts that exclude or limit (directly or indirectly) liability for: Damages to life, moral or physical integrity, or health; Non-contractual economic damages caused to

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<sup>181</sup>See e.g., the BSD license (<http://www.opensource.org/licenses/bsd-license>) and Clauses 15 (Disclaimer of Warranty) and 16 (Limitation of Liability) of the GPL version 3.

<sup>182</sup>B. PERENS, "The Open Source Definition", Open Sources: Voices from the Open Source Revolution, <http://www.virtualblueness.net/os/perens.html>.

<sup>183</sup>The GPL expressly allows this (GPL version 2, art. 11; GPL version 3, art. 7).

<sup>184</sup>See art. 809 of the Civil Code.

<sup>185</sup>See art. 800(2) of the Civil Code.

<sup>186</sup>Such rules are found mostly in arts 15-23 of the STCA. See above section "Copyright Contracts".

the licensee or a third party; Damages resulting from intentional (with “dolo”) or grossly negligent (with “culpa grave”) non-performance, delay or defective performance; Damages resulting from intentional or grossly negligent acts of legal representatives and auxiliary persons.<sup>187</sup>

In sum, it can be stated that most exemption or limitation clauses present in FOSS licenses should be deemed null and void when they purport to apply to intentional or grossly negligent acts; in addition, specific clauses (e.g. applying to defective performance or acts of legal representatives and auxiliary persons) may be valid only in cases of minor negligence (“culpa leve”).<sup>188</sup>

### Specific rules for consumers, sellers and producers

In addition to the general regime explained above, stricter rules may apply that completely forbid exoneration or limitation clauses, notably when the licensor qualifies as a producer or professional seller in a relationship with a consumer.<sup>189</sup>

As a preliminary remark, it is important to note that many FOSS projects should not be qualified as producers or professional sellers. Likewise, a good number of licensees are developers and not consumers. Therefore, the following considerations do not apply to either category of actors in the FOSS licensing chain.

A further distinction must be made between the qualification of the licensor as a “producer” or a “seller”. Under the Portuguese Sale of Consumer Goods Act<sup>190</sup>, a “producer” is a manufacturer, EU importer or any other entity that is identified as the producer of a consumer good.<sup>191</sup> It is disputable whether FOSS developers and distributors can also be qualified as producers.<sup>192</sup> Differently, a “seller” is the individual or company that, under a contract, sells (leases or provides related services to) consumer goods within his/her professional activity.<sup>193</sup> The Sale of Consumer Goods Act applies only to consumer goods, defined as immovable goods and “movable tangible goods” (“bem móvel corpóreo”).<sup>194</sup>

<sup>187</sup>See arts 18(a), (b), (c) and (d) of the STCA. These rules apply also to contracts with consumers ex vi art. 20 of the STCA.

<sup>188</sup>See A. PINTO MONTEIRO, “A responsabilidade civil na negociação informática”, pp. 229-239, *Direito da Sociedade da Informação I*, Coimbra Editora - 1999, p. 238.

<sup>189</sup>See art. 16 of Decree-Law 10/2013, of January 28 (hereinafter, the “Consumer Protection Act”).

<sup>190</sup>Decree-Law 67/2003, of April 8 (as amended by Decree-Law 84/2008, of May 21) (hereinafter, the “Sale of Consumer Goods Act”).

<sup>191</sup>See art. 1-B(d) of the Sale of Consumer Goods Act.

<sup>192</sup>For a discussion on this topic, see T. ENGELHARDT & T. JAEGER, “Germany”, in *The International Free and Open Source Software Law Book*, <http://ifosslawbook.org/germany/>.

<sup>193</sup>See arts 1-A(2) and 1-B(c) of the Sale of Consumer Goods Act.

<sup>194</sup>See art. 1-B(b) of the Sale of Consumer Goods Act. A similar definition of product (movable good) is found in art. 3 of Law 383/89, of Nov. 6 (last amended by Decree-Law 131/2001, of April 24), implementing Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products (hereinafter, the “Liability for Defective Products Act”). As such, the scope of this law does not extend beyond physical goods, and it would be

If nonetheless one considers that licensed software qualifies as a consumer good (and the underlying transaction is a “sale” or “lease”), then the professional seller is deemed to know of any hidden defects in the software that are manifested up until 2 years after its “delivery”.<sup>195</sup> As a consequence of such defects, the consumer is entitled to the reparation/substitution of the good or termination of the contract,<sup>196</sup> in which case he/she is entitled to damages arising from the supply of defective goods.<sup>197</sup> Any exemption or limitation of liability clause that affects consumer rights derived from hidden defects known (or presumed to be known) by the seller at the time of the sale is null and void.<sup>198</sup>

Under such a fact pattern, the professional seller of FOSS would be liable before the consumer under a presumption that the lack of conformity existed as of the good’s delivery date, unless he/she could demonstrate the lack of conformity to be incompatible with the nature of the good or with the characteristics of the defect.<sup>199</sup> Under the general regime on the sale of goods (applicable to software and FOSS only if one considers the analogy admissible), the seller would be liable to repair or replace the software unless he/she could establish lack of knowledge (without reasonable grounds for knowing) of the defect.<sup>200</sup> Failure to establish this “unintentional” lack of knowledge entitles the licensee to termination of the agreement and damages.<sup>201</sup> In practice, the burden of proof of the seller in either case will be difficult to meet.

Should the developers or distributors of FOSS be qualified as producers, the Sale of Consumer Goods Act’s rules on direct liability of the producer may apply.<sup>202</sup> According to these, the consumer is always entitled to claim from the producer the reparation or replacement of the good, unless such claim is impossible or disproportionate taking into consideration the value of the good, the nature of the defect and the inconveniences caused to the consumer by the reparation or replacement.<sup>203</sup> Importantly, claims under this Act cannot be waived or limited in advance; any agreements to the contrary are null and void.

Moreover, the Consumer Protection Act confers upon the consumer a right to damages resulting from the supply of defective goods or services,<sup>204</sup> making the producer strictly liable for all damages arising from defects in the goods he

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extremely debatable to consider FOSS licenses covered thereby. Moreover, as noted above, the qualification of a FOSS license as a sale (or even lease) agreement, triggering the application of these provisions, is also arguable. See above section “Copyright Contracts”.

<sup>195</sup>See art. 3(2) of the Sale of Consumer Goods Act.

<sup>196</sup>See art. 4(1) of the Sale of Consumer Goods Act.

<sup>197</sup>See, in general, arts 798ff. of the Civil Code. See also art. 12(1) of the Consumer Protection Act, which provides an identical mandatory right for defective services.

<sup>198</sup>See art. 10(1) of the Sale of Consumer Goods Act and the broader art. 16 of the Consumer Protection Act.

<sup>199</sup>See art. 3(2) of the Sale of Consumer Goods Act.

<sup>200</sup>See art. 914 of the Civil Code.

<sup>201</sup>See arts 905 and 908-909 of the Civil Code, applicable ex vi art. 913(1) of the same diploma.

<sup>202</sup>See art. 6 of the Sale of Consumer Goods Act.

<sup>203</sup>See art. 6(1) of the Sale of Consumer Goods Act.

<sup>204</sup>See art. 12(1) of the Consumer Protection Act.

places on the market.<sup>205</sup> Similarly to the Sale of Consumer Goods Act, these consumer rights may not be waived or limited in advance; any agreements to the contrary are null and void.<sup>206</sup>

Finally, the producer is also strictly liable under the Liability for Defective Products Act<sup>207</sup> for damages caused by his or hers unsafe defective products.<sup>208</sup> Only damages resulting in death and personal injury, or those related to goods of the licensee destined to private use are covered.<sup>209</sup> The producer can only avoid liability by showing the occurrence of specific circumstances, such as that he did not make the product available.<sup>210</sup> Importantly for FOSS, the producer is not responsible if he proves that he did not manufacture the product for sale or any type of commercial distribution, nor that he produced or distributed it within the scope of a professional activity.<sup>211</sup> Again, these rights may not be waived or limited in advance; any agreements to the contrary null and void.<sup>212</sup>

In sum, disclaimers of liability (either by the producer or the seller) will usually be held invalid with respect to consumer users, to the extent that the cited legal provisions apply to FOSS licenses.<sup>213</sup> As mentioned above, other than arguing that FOSS is not a “consumer good” or a “product” under applicable laws, it can also be defended that there is no commercial relationship between the parties (and thus, the licensor is not a producer or seller) in most instances of a FOSS chain of licensing. That being the case, consumer laws or related provisions would not apply to the full extent. This line of argument is reinforced by the free (gratis) nature of FOSS. However, the countervailing argument could be made that this free nature is not definitive, as also professional sellers provide software for free.

Finally, some FOSS licenses contain interpreting provisions, which limit the contractual effects of these limitations or exclusions of liability “to the extent permitted by mandatory applicable law”.<sup>214</sup> It is arguable that such safeguard

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<sup>205</sup>See art. 12(2) of the Consumer Protection Act.

<sup>206</sup>Art. 16 of the Consumer Protection Act.

<sup>207</sup>This law has a similar concept of producer to that of the Sale of Consumer Goods Act.

<sup>208</sup>See arts. 1 and 4 of the Liability for Defective Products Act. Art. 3 defines products as movable goods, thus raising the same question vis-à-vis the applicability of this legal regime to FOSS licenses, as discussed above for the definition of consumer goods under the Sale of Consumer Goods Act.

<sup>209</sup>See art. 8(c) of the Liability for Defective Products Act.

<sup>210</sup>See art. 5 of the Liability for Defective Products Act.

<sup>211</sup>See art. 5(c) of the Liability for Defective Products Act.

<sup>212</sup>See art. 10 of the Liability for Defective Products Act.

<sup>213</sup>Although it is arguable that the Sale of Consumer Goods Act and the Liability for Defective Products Act do not apply to FOSS licenses, this issue has not been discussed in Portuguese case law and may vary in accordance with the specific context under which a FOSS license is provided.

<sup>214</sup>See GPL version 3, art. 17 (“Interpretation of Sections 15 and 16”): If the disclaimer of warranty and limitation of liability provided above cannot be given local legal effect according to their terms, reviewing courts shall apply local law that most closely approximates an absolute waiver of all civil liability in connection with the Program, unless a warranty or assumption of liability accompanies a copy of the Program in return for a fee.

provisions might secure the remaining validity of the limitation or exclusion clause in an adapted version by allowing competent courts to operate the reduction or conversion of the invalid portion of such clauses, so as to comply with mandatory legal provisions.<sup>215</sup>

## **The Copyleft Principle**

### **Principle**

A characteristic found in different (but not all) FOSS licenses is the so-called “copyleft” principle.<sup>216</sup> FOSS licenses that incorporate the copyleft principle<sup>217</sup> lay down by contract that everyone in the chain of consecutive users, in return for the right of use that is assigned (or licensed), needs to distribute the improvements made to the software and the derivative works created under the same conditions to other users, if he/she chooses to distribute or make available such improvements or derivative works. In other words, software that incorporates copyleft FOSS needs to be distributed or made available subsequently as copyleft FOSS. As such, it is not possible to incorporate copyright protected parts of copyleft software in a proprietary licensed work.

The copyleft principle can restrict the commercial possibilities of the software.<sup>218</sup> Warnings have been issued for the dangers that companies run if a negligent or vindictive employee were to incorporate a piece of copyleft code in the code of proprietary software. In theory this could mean that the company would be obliged to make its proprietary software available under a copyleft FOSS license. Although caution is necessary, the relevant question is whether these worst-case scenarios are realistic under Portuguese law.

The sanction for incorporating copyleft code in proprietary software will usually be restricted to either a prohibition to distribute the software which is in breach or the obligation to remove this piece of code from the program. If the unlawful use has caused damage to the author, this damage will need to be redressed, but usually not beyond an amount correspondent to the damage actually suffered.<sup>219</sup> In any event, it is unlikely that the owner of the proprietary software at stake would be obliged to release all its code under the copyleft FOSS license.

### **Copyleft Validity**

The question relating to the validity of the copyleft clause coincides with the question of whether a rights holder is able to validly lay down the conditions under which composite or derivative works must be distributed or made available.

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<sup>215</sup>See arts 292 and 293 of the Civil Code on reduction and conversion of invalid provisions.

<sup>216</sup>Neither the principles (freedoms) of the Free Software movement, nor the OSD mandate the copyleft clause. Several FOSS licenses don’t contain a copyleft clause. Examples are the Berkeley Software Distribution (BSD) license and the Apache license.

<sup>217</sup>E.g., GPL version 3, art. 5, and GPL version 2, art. 2(b).

<sup>218</sup>See e.g., M. OLSON, “Dual Licensing”, in *Open Sources 2.0: The Continuing Evolution* (Ed. C., DiBona, D., Cooper and M., Stone), O’Reilly, 2006 (hereinafter, “OLSON 2006”).

<sup>219</sup>See *infra* section “Damages”.

The answer to this question is affirmative: while the rights holder of the original work does not hold any copyright in the derivative work, he/she is entitled to determine the conditions for the creation and redistribution of a derivative work of the original work.<sup>220</sup> A composite or derivative work can therefore only be exploited subject to the consent of the copyright owner of the original work.<sup>221</sup>

Based on the copyright ownership of his/her specific contribution to the FOSS, a rights holder is thus able to authorize a specific use of the work, or link certain terms and conditions to it. That right to determine the destined use or conditions of use of a work is clearly stated in the PCA, namely in Article 40(b) — establishing the general right to authorize uses of a copyrighted work, Article 41 — laying down the general regime for such authorizations, Article 67 — establishing a general exclusive right to use and exploit a work — and art. 68 — clarifying the broad scope of such right to use, and exemplifying with instances of uses that correspond to acts of adaptation or creation of derivative works. Therefore, the rights holder is entitled to lay down a copyleft condition to the use of his/her works based on these rights.<sup>222</sup>

All rights are subject to abuse, including copyright. In particular, contractual terms and conditions must comply with imperative legal provisions — such as those regarding consumer protection and data privacy –, as well as with morality and public order.

Under Portuguese civil law, an abuse of right is defined as an exercise of a right in which the rights holder manifestly exceeds the limits imposed by good faith, prevailing customs or by the social or economic purpose of the underlying right.<sup>223</sup> An author can therefore not exercise his economic and moral rights in a random way that conflicts with the aforementioned principles. Yet, the exercise by a rights holder of his copyrights by determining the terms and conditions of exploitation pursuant to his/her entitlements under the PCA, the Software Act or other related legal instrument cannot be deemed an abuse of rights “per se”; in fact, only in exceptional cases and circumstances will an author who invokes his copyright be liable to a claim of abuse of rights.

Therefore, licensing a work under a copyleft restriction will in principle not constitute an abuse of right, considering that the author, in general, will be able to prove a legitimate moral or tangible interest in selecting that form of “exploitation”. An example of such an interest shared by most authors that select this private ordering model is the desire to release and maintain the work under the FOSS “ecosystem” or “commons”, also in a derivative or modified format. Significantly, this “personal interest” echoes a similar public interest motivation of such authors. Likewise, companies which have built business models around distributing or making available software under copyleft restrictions will as a rule have no difficulties in establishing a legitimate interest.

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<sup>220</sup>See arts 3, 20, 67, 68 (maxime 68(2)(g) and (h)), all of the PCA.

<sup>221</sup>See arts 3, 20, 40(a), 41 67, 68 (maxime art. 68(2)(g) and (h)), all of the PCA.

<sup>222</sup>See, in a similar sense, ASCENSÃO 2011, p. 99.

<sup>223</sup>See art. 334 of the Civil Code.

However, it should be noted that the scope of copyleft provisions — and by extension an author-licensor’s entitlement — covers only the original work, derivative works and any composite works incorporated therein. Independent works are outside the scope of a FOSS work and the copyleft provision. In other words, the expansion of the scope of application of any such provision to works outside the aforementioned scope could be deemed an abuse of (copyright) rights, as it would purport to extend the author-licensor’s exclusive right beyond that which is legally permitted. Examples of such abusive copyleft provisions would be those applying to works not covered by copyright (either excluded ab initio from protection or already in the public domain) and independent works stored on a similar carrier device than that of a FOSS license.<sup>224</sup>

Conversely, an argument could be made that, being the FOSS license a contract, it would be subject to the general principle of freedom of contract, under which parties are free to stipulate the terms and conditions of their agreement, subject to restrictions in the law.<sup>225</sup> In that sense, if the condition imposed on further distribution is considered legally admissible, the licensee could be deemed bound by such clauses, even if exogenous to copyright. However, it is noteworthy that such restriction clauses might clash with competition law provisions — e.g. prohibiting certain forms of tying and bundling or restrictions on legitimate commercial uses<sup>226</sup> — or even consumer protection laws that prohibit restrictions or imposition of conditions, as noted above.<sup>227</sup>

Finally, it has been argued that copyleft restrictions may run contrary to the exhaustion principle, with regard to the exclusive right of distribution of tangible copies of software. However, the Software Act — in articulation with the PCA — prescribe that any act of distribution of tangible copies by the rights holder or with his consent results in the exhaustion of the right to control the distribution of that copy in the European Union, with the exception of the right to control the further leasing and lending out of the program or a copy thereof.<sup>228</sup> Importantly, this “exhaustion” is designed to apply to controlling the tangible copy lawfully released in the European market. In theory, it does not affect the right of the author to lay down certain conditions regarding the use of the (intangible) work on that copy. As such, the conditions of use established in the license on this work “run” with the tangible copy, as the sole authorization to exploit the intangible work on that copy.

The above conclusions seem unaffected by the most recent CJEU decision in

<sup>224</sup>The GPL version 3 stipulates otherwise. The OSD prohibits this under clause 9.

<sup>225</sup>See art. 405 of the Civil Code.

<sup>226</sup>See Law 19/2012, of May 8, in particular art. 11(1) and (2)(d), potentially applying to tying and bundling (similar to art. 101(1)(e) of the TFEU). For a brief overview of the relationship of intellectual property contracts with competition law, see FERREIRA DE ALMEIDA 2011, pp. 21-23. For a more detailed overview on the intersection between intellectual property contracts and competition law, see C. TRABUCO & I. F. de OLIVEIRA, “Contratos de Direito da Propriedade Intelectual e Direito da Concorrência”, in *Contratos de Direito de Autor e de Direito Industrial*, Almedina, 2011, pp. 127-156.

<sup>227</sup>See above sections “Copyright Contracts” and “Enforcing FOSS Licenses”.

<sup>228</sup>See arts 8 of the Software Act and 68(5) of the PCA.



UsedSoft v Oracle, where it was decided that Article 4(2) of the Software Directive is to be interpreted “as meaning that the right of distribution of a copy of a computer program is exhausted if the copyright holder who has authorized, even free of charge, the downloading of that copy from the internet onto a data carrier has also conferred, in return for payment of a fee intended to enable him to obtain a remuneration corresponding to the economic value of the copy of the work of which he is the proprietor, a right to use that copy for an unlimited period.”<sup>229</sup> In fact, even in case of direct application of the ruling in UsedSoft v Oracle to the fullest extent to FOSS licenses, such application would likely not affect the validity of the copyleft provisions to subsequent making available of that copy to downstream licensees (or assignees).

## Damages

Damages caused by copyright infringement are compensated in accordance with Articles 210 and 211 of the PCA, and generally applicable principles of law relating to unlawful acts (non-contractual infringements) and breaches of contract.<sup>230</sup> Article 210, regarding the unlawful identification of a third party as an author, restates a general principle in the Civil Code and is therefore redundant. Article 211, on the other hand, is the key provision under the PCA concerning damages, as it constitutes the national implementation of Article 13 of the Enforcement Directive. It has been characterized as a long and unclear provision of difficult articulation with the general regime.<sup>231</sup>

As with the general regime, Article 211 of the PCA entitles the injured party in a copyright infringement to request compensation for the losses and damages resulting from the infringement.<sup>232</sup> It basically sets forth two alternative regimes for the calculation of compensation by damages.

The first regime, echoing Article 13(1)(a) of the Enforcement Directive, covers economic and non-economic damages. Economic damages encompass: (i) infringer’s profits<sup>233</sup>; (ii) lost profits of the infringed party; and (iii) emerging damages of the infringed party.<sup>234</sup> / <sup>235</sup> The provision on non-economic damages in Article 211(4) of the PCA is less clear, as it creates some tensions with the

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<sup>229</sup>CJEU, Case C-128/11, UsedSoft GmbH v Oracle International Corp.

<sup>230</sup>These can be found, *inter alia*, in arts 483ff. (non-contractual), 798ff (contractual) and 227 (pre-contractual) of the Civil Code.

<sup>231</sup>See TRIGO, M. DA GRAÇA, *Responsabilidade Civil por Violação de Direito Intelectual*, in *Direito da Sociedade da Informação X*, pp. 151-169, 2012 (hereinafter, “TRIGO 2012”), p. 159.

<sup>232</sup>See arts. 483 of the Civil Code and 211(1) of the PCA.

<sup>233</sup>The nature of infringer’s profits as an economic or non-economic damage under Portuguese law is a debated topic among legal scholarship. For a brief summary of that debate, see TRIGO 2012, pp. 160-162.

<sup>234</sup>These include most expenses and costs with protection of copyright, such as those with investigation of the infringement and cease and desist thereof.

<sup>235</sup>See art. 211(2) of the PCA. Art. 211(3) contains a narrow concretization of this general principle on economic damages, and is of no consequence in the FOSS context.

general regime for these types of damages.<sup>236</sup> Under the general regime, the calculation of these damages follows the principle of equity, meaning that it takes into account the degree of intentionality of the infringer, the economic situation of both infringer and infringed party and other relevant circumstances.<sup>237</sup> By meshing these factors and introducing a certain degree of deviation therefrom, the text of Article 211(4) of the PCA might lead to an expansive interpretation of the scope of these damages for copyright infringement; however, it is our view that such different textual articulation merely impacts the method of calculation of non-economic damages, leaving their scope unaffected.<sup>238</sup>

The application of the second regime, which implements art. 13(1)(b) of the Enforcement Directive, is subject to two conditions: (i) the impossibility to apply the first method of calculation (i.e., it is designed as an alternative to the first; (ii) the express acceptance by the rights holder that the alternative method is used.<sup>239</sup> Under the alternative method, a minimum baseline amount of damages is established; such minimum threshold is to be equal to the hypothetical remuneration of the infringed party should he/she had granted the infringer a license covering the infringing acts.<sup>240</sup> This presumed license calculation method — an innovation in Portuguese law — provides a less complex alternative to the alternative described above, and should for that reason become popular in judicial practice.<sup>241</sup> Like the first method, it allows rights holders to recover expenses; differently, it makes no mention to non-economic damages.<sup>242</sup> Notwithstanding, it is our opinion, following some legal scholarship, that non-economic damages are also recoverable under this second method.<sup>243</sup>

Finally, Article 211(6) of the PCA stipulates that, if the infringer is a repeat offender of the infringed party's rights or the infringing act is deemed particularly serious, the court may calculate damages by cumulating some or all of the criteria in paragraphs (1) to (5). This could be interpreted as an introduction of punitive damages for copyright infringement. However, given that the provision basically allows for the combination of both methods described above, and that the presumed license method only applies if the first method does not, the scope of the provision seems limited, likely resulting in adding density to the calculation of non-economic damages based on equity.<sup>244</sup>

Infringements of software copyrights follow the same regime as infringements of every other copyright for damages purposes.<sup>245</sup> The aforementioned principles,

<sup>236</sup>See TRIGO 2012, pp.162-163.

<sup>237</sup>See art. 496(3), and its articulation with art. 494, both of the Civil Code.

<sup>238</sup>We follow here the same reasoning of TRIGO 2012, p. 163.

<sup>239</sup>See art. 211(5) of the PCA. This second requirement, which finds no basis in the Enforcement Directive, seems difficult to understand. See TRIGO 2012, p.164.

<sup>240</sup>See art. 211(5) of the PCA.

<sup>241</sup>See TRIGO 2012, p.164.

<sup>242</sup>This presents a clear parallel to the absence of reference to “moral damages” in art. 13(1)(b) of the Enforcement Directive.

<sup>243</sup>Arguing this position, see TRIGO 2012, p.165.

<sup>244</sup>See TRIGO 2012, p.165.

<sup>245</sup>See art. 15 of the Software Act. See also R. SAAVEDRA, A protecção jurídica do

measures and methods of calculation are therefore applicable in case of copyright infringements of software. As such, for software distributed under a FOSS license, infringements will be sanctioned in the same manner; the specific nature of FOSS licenses cannot be construed as a waiver by the author of these rights.

It is possible to argue that in an infringement of FOSS the damage to the copyright owner will be limited, as the author has made his work freely available via the internet. This argument, even if it is *prima facie* coherent at least vis-à-vis patrimonial damages, does not always apply. Besides establishing a reputation and recognition with the related value creation, an author can have other reasons to make his work *freely* available.<sup>246</sup> The author may also have a direct monetary advantage from the free making available of his work, such as generating advertising revenue off the FOSS work (where the gratis nature of the work potentiates its user base), providing related services (e.g. management, consulting or development), licensing proprietary add-ons<sup>247</sup> or providing a dual licensing model.<sup>248</sup> The latter model encompasses a dual-track licensing scheme, whereby the licensor grants first a copyleft license for a FOSS work, thus ensuring its fast dissemination to a wide user-base; at a later stage, the licensor makes available a second non-copyleft license against consideration, targeted at interested parties wishing to use the work without their own additions being affected by “viral” copyleft effects of the initial FOSS license.

## FOSS Cases in Portugal

No cases have been reported yet (December 2013).

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software e a Internet, Lisboa, Sociedade Portuguesa de Autores, Publicações Dom Quixote, 1998, pp. 307-312

<sup>246</sup>See e.g. C. DIBONA, D. COOPER & M. STONE, “Introduction”, in *Open Sources 2.0: The Continuing Evolution* (Ed. C., DiBona, D., Cooper and M., Stone), O’Reilly, 2006.

<sup>247</sup>Add-ons are additions to the free work to which the author reserves all rights, and which can only be used against payment.

<sup>248</sup>See e.g. OLSON 2006, p.35.