

# United Kingdom

author:[Katz,Andrew] author:[Mitchell QC,Iain G.]

## Introduction to software protection under United Kingdom law

### Body of law

Unlike the other countries covered in this book, the United Kingdom comprises not one but three separate jurisdictions: England & Wales, Northern Ireland and Scotland. Each jurisdiction has its own legal system, with its own *corpus* of laws, both common law and statutory. This is particularly true of the Law of Scotland<sup>1</sup>. In some areas, the laws of Scotland and of England can be substantially different. By contrast the laws of England and of Northern Ireland share a common heritage, and are substantially similar, though some minor differences can occur.<sup>2</sup>

The modern law of Intellectual Property in each of these jurisdictions has developed since the Act of Union in 1707 and is almost entirely based upon statutes of the United Kingdom Parliament commencing with the foundation of the concept of copyright, the post-Union Statute of Anne 1709<sup>3</sup>. The legislation has tended to cover the whole of the United Kingdom with only minor differences to accommodate the different Court structures, and has been interpreted uniformly by judges in all jurisdictions. Thus, it becomes possible to treat this

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<sup>1</sup>The continued existence of Scots law as a separate system was guaranteed by the Act of Union of 1707, which united the previously separate nations of Scotland and of England. The historical roots of Scots law lie in an admixture of a Roman-Dutch system (generations of mediaeval Scottish law students studied at Leyden University) with a substantial common law overlay. As a result, in some areas, the laws of Scotland and of England can be substantially different. By contrast the laws of England and of Northern Ireland share a common heritage, and are substantially similar, though some minor differences can occur.

<sup>2</sup>The United Kingdom consists of England, Wales, Scotland and Northern Ireland, and three distinct legal jurisdictions: England and Wales, Scotland and Northern Ireland. The law in effect in England and Wales is called “English law” throughout England and Wales, never “Welsh Law” even when it applies in Wales (by analogy, Australians speak English, not Australian). The United Kingdom Parliament has devolved both executive and legislative powers in certain areas to the devolved parliaments (which are constitutionally not sovereign parliaments but statutory bodies) in Scotland, Wales and Northern Ireland. Executive and legislative powers in respect of those matters which have not been devolved (which, since there is no English parliament means, in respect of England, everything) are exercised by the United Kingdom parliament, which also has powers also to legislate directly in respect even of devolved matters (but does not normally do so.) Much legislation passed by the United Kingdom parliament is expressed to cover all three jurisdictions of the United Kingdom, but the legislation itself will then take account of differences of terminology and procedure within the different jurisdictions. Proposals for a separate Welsh jurisdiction, which was the subject of consultation in 2012, have been shelved as of September 2013. The Isle of Man and the Channel Islands are neither parts of the United Kingdom nor of the European Union, and have their own legal systems and laws. They are not covered by this Chapter.

<sup>3</sup>An Act for the Encouragement of Learning, by vesting the Copies of Printed Books in the Authors or purchasers of such Copies during the Time therein mentioned (8 Anne c 19)

area from a United Kingdom perspective. In this chapter, the phrase “United Kingdom Law” is used to mean English Law, Northern Irish Law and Scots Law taken together, and differences amongst English Law, Scots Law and Northern Irish Law are noted where appropriate.

In the United Kingdom, then, copyright protection of software (as with all forms of copyright protection) is regulated under the Copyright, Designs and Patents Act 1988<sup>4</sup> (referred to as the “Copyright Act”), as updated and amended from time to time. In particular, the Copyright (Computer Programs) Regulations 1992<sup>5</sup> implemented the Council Directive of 14 May 1991 on the Legal Protection of computer programs (91/250/EEC)<sup>6</sup> into United Kingdom law (referred to as the “Software Directive”).

### **Copyright Act: Object of protection**

Computer programs (including the preparatory material) are protected by copyright and are equivalent to literary works within the meaning of the Berne Convention for the Protection of Literary and Artistic Works. This protection is transposed into the law of the United Kingdom by virtue of section 3(1)(b) of the Copyright Act. The same criteria apply to the copyright protection of computer software as applied to literary works. Thus, only original computer programs benefit from copyright protection. This means that the computer program needs to be an intellectual creation of its author, or, if the program is a computer-generated work itself<sup>7</sup>, the person who made the arrangements necessary for the creation of the work<sup>8</sup>.

In terms of section 1 of the Act, copyright is a right of property. It is incorporeal in nature and therefore copyright falls to be regarded as (according to the terminology of Scots Law and most European systems) incorporeal moveable property, and, (according to the terminology of English law and Northern Irish Law) incorporeal personal property.

### **Authors/Copyright owners**

The Copyright Act provides that the copyrights in a work belong to the author, unless the author is an employee who created the work “in the course of his employment” in which case it belongs to the employer, unless there is an agreement to the contrary<sup>9</sup>. There is a significant body of case law determining the meaning of “in the course of his employment” and “employer” in the context of employment and tax law cases, and it is assumed that these cases would be followed in a copyright law context. An important effect of this is that the default

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<sup>4</sup>[http://www.opsi.gov.uk/acts/acts1988/ukpga\\_19880048\\_en\\_1.htm](http://www.opsi.gov.uk/acts/acts1988/ukpga_19880048_en_1.htm)

<sup>5</sup>1992 SI 3233

<sup>6</sup>Re-enacted as 2009/24/EC

<sup>7</sup>Defined by the Copyright Act, s. 178 as “...emptygenerated by computer in circumstances such that there is no human author of the work”

<sup>8</sup>Copyright Act s. 9(3)

<sup>9</sup>Copyright Act s 11(2)

ownership position, where an entity engages a contractor to create software (in other words, where the contractor is not an employee of the entity, but engaged under a contract for services), is that the copyright in the software will remain with the contractor. Thus unless the contract for services sets out explicitly that the ownership in the software shall be assigned to the entity engaging the contractor's services, the entity will not obtain the copyright in the software, and will, instead, obtain some form of implied licence, the scope of which is unclear.<sup>10</sup>

### **Exclusive rights**

According to section 2(1) of the Copyright Act the owner of copyright (including copyright in computer programs) has the exclusive economic rights set out in Chapter II of the Copyright Act (see section 16(1)). These are (following the sub-paragraph designations in the Act) the right :

- (a) to copy the work;
- (b) to issue copies of the work to the public;
- (c) to rent or lend the work to the public;
- (d) to perform, show or play the work in public;
- (e) to communicate the work to the public;
- (f) to make an adaptation of the work or to do any of the above in relation to an adaptation.

All these rights theoretically apply in the case of a computer program, even if that seems counter-intuitive. For example by virtue of section 19(2), “performance” would include any mode of visual presentation. It can be argued that this includes running a program that presents an output on the screen. Equally, this could be covered by 20(2)(b) which includes “the making available to the public of the work by electronic transmission that members of the public may access it from a place and at a time individually chosen by them”<sup>11</sup>

Section 18(1) deals with exhaustion of distribution rights: the restricted act of issuing copies to the public only applies in relation to copies put into circulation in the EEA which have previously not been put into circulation by or with the consent of the copyright owner, or the act of putting into circulation outside the EEA copies not previously put into circulation in the EEA or elsewhere.

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<sup>10</sup>The courts will occasionally intervene to correct manifest injustice: for example, *Griggs and Others v. Evans and Others* (2005) EWCA (Civ) 11, and *Destra Software Ltd v Comada (UK) LLP and others* (2013) EWHC 1575 (Pat), 11 June 2013 but cases like this are unusual

<sup>11</sup>On the one hand, it is arguable that the output of a program (e.g. on a screen) is a separate and independent copyright work, created by running the instructions contained in the program. On the other hand, running a program is in some sense “performing it” as is following the stage directions in a play. These distinctions are fairly academic, since in either case, the program will undoubtedly be copied in the act of running it.

It is not clear under UK law whether “copies” in this context refers only to physical copies, or whether it can also include electronic copies.

Translation of a computer program into another “language or code” (which would presumably include compilation and assembly) is explicitly expressed to be making an adaptation (section 21(4)).

### Exceptions to exclusive rights

Lawful users of computer programs are guaranteed the following rights (which are neither an infringement of copyright, nor a breach of any term of a contract purporting to restrict them<sup>12</sup>)

(a) The making of backup copies (to the extent they are necessary)

(b) decompilation; and

(c) observing, studying and testing

(see further below)

(1) In the absence of specific contractual provisions, no authorization by the rightholder is required for acts necessary for the use (including copying or adapting<sup>13</sup>) of the computer program by the lawful acquirer or for error correction<sup>14</sup>.

(2) A lawful user of a computer program may not be prevented from making any backup copy, insofar as that copy is necessary to use the program<sup>15</sup>.

(3) A lawful user of a copy of a computer program is entitled, without the authorization of the rightholder, to observe, study or test the functioning of the program in order to determine the ideas and principles which 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 which he is entitled to do<sup>16</sup>. This right may not be excluded by contract.

The decompilation right in the Act<sup>17</sup> essentially echoes Article 6 of the Directive. It may not be excluded by contract, but is subject to conditions. The decompilation must be necessary to obtain information necessary to create an interoperable program, and that information may only be used for that purpose. If the lawful user already has ready access to relevant information, then the decompilation is not permitted. The information must not be used to create a program which is substantially similar in expression to the program decompiled.

This is of relevance to open source when an attempt is made to write open source code which is intended to interoperate with proprietary software. There is an

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<sup>12</sup>Copyright Act, Sections 50A,B,C

<sup>13</sup>Copyright Act, Section 50C(1)

<sup>14</sup>Copyright Act, Section 50C(2)

<sup>15</sup>Copyright Act, Section 50A

<sup>16</sup>Copyright Act, Section 50BA

<sup>17</sup>Copyright Act, Section 50B

argument that by creating an interoperable program for which the source code is available, the coder will be in breach of the obligation to keep the information confidential.

The exercise of these statutory rights is often difficult in practice because their scope is unclear.

### **Moral rights**

Software is not subject to moral rights under United Kingdom law (and neither are computer generated works)<sup>18</sup>.

### **Term of protection**

The same term as for works of literature and art applies: 70 years as from the 1st January in the year following the death of the author<sup>19</sup>. However, if the work is computer generated, copyright expires at the end of the period 50 years from the end of the calendar year in which the work was made. In practice, although the object code created by a compiler is a computer generated work, since it is also an adaptation of a literary work (the original source code), the licence of the rightholder in the source code would still be required for the duration of the copyright in the underlying source code, even if the copyright in the object code *qua* computer generated work had expired<sup>20</sup>.

Where the authors are joint, the reference to the death of an author should be construed as the death of the last remaining author<sup>21</sup>.

### **Copyright assignment and assignation**

As we have seen, in the absence of any agreement to the contrary, any copyright work created by an employee for an employer in the course of the employee's employment is automatically owned by the employer, without any additional formality.<sup>22</sup> However, because there may be circumstances where it is not clear when the employee is acting within the course of his employment (for example, at home, in his own time, or on a project other than the one he was employed to work on) it is not unusual for employment contracts governed by the laws of the UK jurisdictions to contain clauses which are intended to clarify ownership.

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<sup>18</sup>Copyright Act, Sections 79 and 80

<sup>19</sup>Copyright Act, Section 12 (2)

<sup>20</sup>Copyright Act, Section 12

<sup>21</sup>Copyright Act, Section 12 (8)

<sup>22</sup>The term used in England and Northern Ireland is "Assignment" and the term used in Scotland is "Assignation". The difference is entirely one of terminology and not of substance. The substance is the same in all jurisdictions, even to the extent that a Scottish Court would probably recognise a document operative under Scots Law and mislabelled as an assignment instead of an assignation, and, in respect of the courts of the other two jurisdictions, the converse would probably also hold true. The word "assignment" is the only word used in the Copyright Act, but the interpretation section (section 177) defines "assignment" so as to include assignation.

It is important to stress that when an employee creates a work in the course of his employment, this is not regarded as the employee being the original author of the work but somehow assigning the copyright to his employer, but, rather as being the employer who is the author in the first place, even although the instrumentality by which the work comes into existence is through the work of the employee.

In all cases where copyright belongs to one person or entity and is sought to be transferred to another, to effect that transfer there requires to be a written assignment or assignation, signed by the rights holder.<sup>23</sup> However, no special form of words is required, nor is any special formality of execution or deed (such as a probative, or self-proving deed, though, of course such formal execution, though unusual, would not be excluded). Similarly, and whatever the experience in certain European jurisdictions may be, notaries are never used. Like any other business document, all that is needed is a simple document in writing, however informally expressed, and merely signed by the granter.<sup>24</sup> Some commentators have suggested that a contract (or deed) is a necessary formality for an assignment to be enforceable (e.g. PLC). However, the different requirements of Scots law regarding unilateral obligation make it less likely that a contract or formal deed would be necessary in the case of an assignation, since under the Law of Scotland, only such a written assignation will be effective to effect the transfer of the copyright, but, under English Law, the court can, through the application of trust principles, recognise that in certain circumstances the beneficial ownership of copyright may pass in the absence of a written assignment, whilst the legal interest in the copyright remains with the original rightsholder. In itself, the legal interest in copyright has no value if it is severed from the beneficial interest (although the owner of the legal interest can pass good title to a third party who acquires that title for value without notice of the beneficial claim). The detailed ramifications of the severability of the legal and beneficial interests are beyond the scope of this work.

For clarity, it is always advisable to ensure that assignments or assignations are in writing and signed by the rightsholder, and, under English and Northern Irish law at least, are subject to consideration (even if it is a nominal £1), or are made by deed. No consideration is required under Scots law.

It is possible to make partial assignment of a work: any of the exclusive rights granted to the copyright owner can be assigned separately. It is also possible to assign some or all of these rights for a limited period of time<sup>25</sup>. Section 36(2)(b) of the predecessor legislation, the Copyright Act 1956, expressly permitted the assignment of rights in other countries in which the copyright holder had such rights. No such specific provision appears in the current Copyright Act, but it

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<sup>23</sup>Copyright Act, Section 90(3)

<sup>24</sup>It does not necessarily follow that the document requires to be written on paper nor that the signature cannot be an electronic one, but a detailed discussion of this topic lies outwith the scope of the present work.

<sup>25</sup>Section 90(2)

is not to be doubted that such an assignment or assignation would be effective in respect of those rights.

It is also possible to assign prospective copyright in a future, but currently non-existent work, such that when the work comes into existence, the assignment or assignation will automatically take effect<sup>26</sup>.

The assignment or assignation of software is treated exactly like the assignment or assignation of all other literary works.

In addition to assignment or assignation, ownership of copyright can also be transmitted by testamentary disposition (i.e. by will) or by operation of law<sup>27</sup>. “Operation of law” may be, for example, succession according to the rules of intestate succession, or passing to an administrator, receiver or liquidator of a company or a trustee in bankruptcy. Although the principle of such transmission is common to all three jurisdictions, the actual outworking of that principle will differ according to the laws of succession, the insolvency laws and other relevant laws of each jurisdiction. In relation to the examples given, there is a substantial commonality amongst the jurisdictions in the laws of corporate insolvency (which are regulated by UK statute though with some differences to accommodate the legal systems and procedures of the different jurisdictions), not much commonality (at least between Scots Law and the law of the other jurisdictions) in the laws of personal insolvency, and virtually no similarity at all in the laws of succession. It is beyond the scope of the present work to discuss these matters.

### **Technical devices and effective technological measures**

A “technical device” is any device intended to prevent or restrict acts that are not authorised by the copyright owner of that work and are restricted by copyright<sup>28</sup>. The definition is used in relation to computer programs. The Copyright Act has a similar definition for “technological measures”, which apply to copyright works other than a computer program<sup>29</sup>. Computer programs and other copyright works are treated slightly differently in this regard (note that the bundle of files containing what would colloquially be described as a computer program may consist of files which are computer programs within the legal sense — the executables, for example, and also files such as documentation or content which would be considered as other copyright works).

Where a technical device has been applied to a computer program, a person who manufactures, imports or distributes, supplies, offers or advertises to supply or has in his possession for commercial purposes any means the sole intended purpose of which is to facilitate the unauthorised removal or circumvention of the technical device, or publishes information which is intended to assist people

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<sup>26</sup>Section 91

<sup>27</sup>Section 90(1)

<sup>28</sup>Section 296(6)

<sup>29</sup>Section 296ZF

in circumventing it, then that person is liable for a copyright infringement claim from any of (a) the distributor of the software; (b) the exclusive licensee; or (c) the owner or exclusive licensee of the technical device.<sup>30</sup>

Similarly, where effective technological measures have been applied to a copyright work which is not a computer program, if a person circumvents those measures knowing, or having reasonable grounds to know that he is circumventing them, then the owner or exclusive licensee of the underlying copyright work has the same rights as against the person circumventing as if he were an infringer of the copyright in that work<sup>31</sup>. There is an exception for people undertaking cryptographic research, so long as the rights of the underlying copyright owner are not prejudiced<sup>32</sup>. A person unlawfully removing or altering “electronic rights management information” is similarly liable<sup>33</sup>. Likewise, if a device or service for circumvention of a technological measure is manufactured, supplied etc., then the copyright owner, exclusive licensee and owner of the effective technological measure have similar rights against the manufacturer, supplier etc<sup>34</sup>.

### **Enforcement measures**

The Copyright Act contains provisions intended to assist in the enforcement of copyrights.

There are several criminal offences relating to Copyright. In summary, these are:

- making an infringing work for sale or hire;
- importing an infringing work into the UK (other than for the importer’s private or domestic use);
- possessing in the course of a business an infringing copy with a view to committing any act infringing the copyright;
- selling, hiring, offering to sell or hire, exhibiting in public or distributing an infringing copy in the course of a business.

It will be noted that the above offences are all connected with commercial activities. In each case, an infringing copy is a copy which infringes copyright, and which the defendant<sup>35</sup> knows or has reason to believe infringes copyright<sup>36</sup>.

There is an offence, intended to criminalise uploading, which applies where a person, otherwise than in the course of a business, distributes an infringing copy to such an extent as to affect prejudicially the owner of the copyright<sup>37</sup>.

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<sup>30</sup>Section 296

<sup>31</sup>Section 296ZA

<sup>32</sup>Section 296ZA (2)

<sup>33</sup>Section 296ZG

<sup>34</sup>Section 296ZD

<sup>35</sup>In Scotland “defender”

<sup>36</sup>Section 107(1)

<sup>37</sup>Section 107(1)(e)



There is a further offence of making or possessing an article designed or adapted to make copies of a particular copyright work, where the defendant knows or has reason to believe that it may be used to make infringing copies for sale or hire in the course of a business<sup>38</sup>.

It is quite difficult to bring a prosecution under this latter provision, as the article in question must be making the copies, and its copying capability must be designed or adapted to make copies of a particular work. Photocopiers, for example, would not come within this definition.

It is an offence to communicate an infringing copy to the public in the course of a business, or where the interests of the copyright owner are prejudiced, where the defendant knows or has reason to believe that the communication infringes copyright<sup>39</sup>. This offence is intended to cover streaming. Operators of content linking sites may also find themselves liable for conspiracy to defraud (*R. v. Vickerman*, 2012).

Although it may be assumed that Parliament intended the scope of Criminal Offences to be exhaustively set out in the Copyright Act (note, for example, that there is no offence related to non-commercial downloading of copyright materials), a zealous private prosecutor has succeeded in a successful prosecution for conspiracy to defraud.<sup>40</sup>

More recently, in implementation of WIPO Treaty Obligations and EU Directives, secondary legislation introduced the idea of “technical devices” (which apply to computer programs) and “technological measures” (which apply to copyright works other than computer programs) (see above). It is an offence to manufacture for sale or hire, supply or advertise commercially, possess or distribute commercially (or distribute non-commercially if this prejudicially affects the rights of the copyright owner) anything which is primarily intended for enabling or facilitating circumvention<sup>41</sup>. However, there are no criminal offences associated with the unauthorised removal of technical devices.

The law also provides a number of remedies to copyright owners, exclusive licensees, and in certain cases people authorised by those rights holders, to facilitate the delivery up and/or seizure of infringing materials<sup>42</sup>.

HM Revenue and Customs also has certain duties in relation to the impounding and seizure of goods which are imported into the United Kingdom and which infringe certain intellectual property rights. They have confirmed informally that a copyright holder of firmware contained in embedded devices may potentially invoke these powers where the firmware has been released under the GPL, but the relevant conditions of the GPL are not being complied with<sup>43</sup>.

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<sup>38</sup>Section 107(2)

<sup>39</sup>Section 107 (2A)

<sup>40</sup>*R v Vickerman* 2012 unreported

<sup>41</sup>Section 296ZB

<sup>42</sup>Sections 99, 100 and for example 296(4)

<sup>43</sup>[http://customs.hmrc.gov.uk/channelsPortalWebApp/downloadFile?contentID=HMCE\\_](http://customs.hmrc.gov.uk/channelsPortalWebApp/downloadFile?contentID=HMCE_)

## Unprotected software, public domain software and orphan works

Only software that is original in the sense that it is an intellectual creation of the author benefits from copyright protection. Non-original software does not come into consideration for copyright protection and can, in principle, be used freely.

The level of originality required in the United Kingdom is relatively low. Originality does not equate to novelty (as in patent law): it is theoretically possible for two identical works to be created independently and for copyright in each to vest in their respective authors simultaneously.

In the United Kingdom, copyright arises automatically by operation of law upon the creation or first publication of a work. No form of registration is required, or even possible. The author has copyright in his work, whether he wants it or not. The work will not and cannot enter the public domain prior to the expiry of the relevant copyright term. However, this does not mean to say that there could not be devised a mechanism which might produce an effect similar to the work being in the public domain. For example, under English Law, it is likely that an unrestricted, irrevocable licence, expressed as a deed poll for the benefit of all third parties, coupled with a promise not to sue for infringement would provide an equivalent to a dedication to the public domain. In Scots Law a similar mechanism could be used, though without the need for a deed poll.<sup>44</sup>

Another option available in English Law would be to license the software as part of a contract, explicitly extending the licence irrevocably to all third parties. This licence would be enforceable by such third parties pursuant to the Contracts (Right of Third Parties) Act 1999. In this case, it is arguable that by virtue of the doctrine of promissory estoppel, if the copyright owner promised not to pursue copyright claims, even under a bare licence, and reliant on that promise, someone made use of the software in such a way as would be detrimental to them if the right was removed, the original copyright owner would be unable to terminate the licence.

The approach in Scotland would require to be rather different. Again, a licence could be granted by the copyright holder to another individual irrevocably extending the licence to all third parties. This would be recognised at common law in Scotland as conferring upon the third parties a *ius quaesitum tertio* enabling them to rely upon the terms of the licence. Scots Law does not require there to be consideration before there can be a contract, so there would be no need to invoke principles of personal bar.<sup>45</sup> However, since a simple unilateral promise would be effective in Scots Law, there seems little point in venturing into the

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<sup>44</sup>Scots law, following Roman law recognises the binding legal effect of a unilateral promise without further formality, and, in any event there are no such things as Deed Polls in Scots Law.

<sup>45</sup>Personal bar is the equivalent principle in Scotland to estoppel in England.

additional complications of bilateral contracts with a *ius quaesitum tertio*.

However, such schemes would produce only an analogue of releasing the work into the public domain: it would not in fact do so. There might always be the risk of other legal principles intervening — for example, if the copyright holder were to become insolvent, might his trustee in bankruptcy (or, if an entity, its liquidator) seek to renounce or reduce the contract under the relevant legislation, no consideration having been paid for the licence? Or, if an individual, might there be an attempt (say by the author’s disappointed heirs) to have the contract reduced on the grounds that the deceased author was *incapax* when he granted it? These might seem like fanciful questions, but the point is merely to illustrate that a renunciation of copyright and release into the public domain is just not legally possible in the United Kingdom.

The concept of “orphan works” has recently been introduced into UK copyright law (section 116A Copyright Designs and Patents Act 1988), but the relevant provisions are not due to come into force until October 2014. They do not directly implement the Orphan Works Directive (2012/28/EU) and there is currently some debate about the interaction between the two systems.

The copyright law of the United Kingdom draws no distinction between FOSS and proprietary software. All such software is protected by copyright, and the copyright owners have the exclusive rights over the software. Third party use is lawful only if it takes place outside the scope of copyright (after expiry of the relevant term, for example) as an exception to the copyright, or under a licence of the software. Such licence may be a bare licence, or a contractual licence. Use outside the scope of a licence (or otherwise permitted by law) will amount to a breach of copyright.

## Analysis of FOSS under United Kingdom law

In essence, a licence is a permission to do something which would otherwise be unlawful; namely in the present instance, to copy. Such permission is rarely given without qualification: conditions are almost always attached. This is particularly the case in FOSS Licences, which may have attached to them conditions requiring software freedom, though the precise conditions vary from one type of FOSS Licence to the next.

Under English Law, proprietary licences are almost exclusively contractual. Thus the licensor, as one contracting party undertakes to authorise the licensee to undertake a number of acts which would otherwise be unlawful under copyright law, in exchange for which the licensee makes several contractual promises, such as a promise to pay a licence fee or a promise not to use the software for certain purposes (for domestic purposes only, for example, if the software is licensed on a “home and student” basis).

In contrast, there exists in English Law the concept of a “bare licence” which is a mere permission to do what would otherwise be unlawful, and which may

be subject to conditions (or other constraints, such as to duration). If the conditions are fulfilled, the licensee is granted the authorisations required under the Copyright Act, and his use is not unlawful. If the licensee performs acts reserved to the licensor outside the scope of the conditions, those acts will be copyright infringement. There are no obligations on the licensee under a bare licence: an act of the licensee either infringes copyright (because it falls outside the scope of the licence or the licensee has not fulfilled the conditions) or it does not. The licensor of a bare licence is not contractually obliged to maintain the licence, and may therefore withdraw the licence on notice to the licensee. However, by analogy with real property law, it is arguable under English Law that once a licensee has relied on the grant of a bare licence to his detriment, the licensee can invoke the principle of promissory estoppel<sup>46</sup> to restrain the licensor from withdrawing the licence.

Free and open source software licences are generally characterised under English Law as bare licences. This has consequences which are considered below.

A Scots law analysis may, however, be somewhat different. It is a feature of bare licences under English Law that the licensee will have given no consideration for the grant of the Licence. Since, under English Law, for there to be a contract there requires to be consideration, that would give obvious problems in relation to analysing such licences in contractual terms, necessitating the development of the concept of a bare licence. By contrast, under Scots Law, there is no requirement for consideration for there to be a contract and this enables a rather more straightforward analysis.

A licence is essentially a surrender by the copyright owner of his right to prevent copying, but it is only a conditional surrender. If the conditions are not observed by the licensee, then the permission does not apply and the copying is unlawful. A Scots Law analysis would regard all licences as being, in one sense, contractual (since it makes no difference whether there is a consideration or not), but given that the effect of the contract is a conditional surrender of the proprietor's rights, this may have important consequences, as more particularly discussed below.

There may, however, be an analogous problem to at least one of the problems presented in English Law by bare licences: where no duration is stated for the contract, the court might find the contract unenforceable due to lack of consensus on a material term (the duration). However, since the court will always seek to avoid such a result where possible, it is more likely that it would seek to construe the contract so as to find an implied term as to duration. Just what term the court would find would depend on the individual circumstances of each licence and may require evidence as to the surrounding facts and circumstances of the making of that licence as between the parties, or it might hear evidence as to what is the normal industry practice, or, it might, as with an English bare licence, treat the contract as being determinable by the will of the proprietor. However, the Court would, at the least, imply a term permitting termination

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<sup>46</sup> *Central London Property Trust Ltd v High Trees House Ltd* (1947) KB 130

on reasonable notice. In the case of FOSS licences the Court may be reluctant to imply a term that the contract is terminable at will (on whatever notice), as explained below.

## Copyrights

Although FOSS can be written by one person or be owned by one legal entity (as a result of contributor assignments, for example), generally speaking, after some time software developed along FOSS principles will become the work of several authors, who are copyright holders, each of whom can make claims to it.

Where the contributions are severable (and the development process of the software may be able to assist with determining this, by examining the history of the code's development in the repository) then the portions will be owned separately. If, however, the contributions of the authors are not severable (for example where two coders are working on the same piece of code simultaneously, for example through the development methodology called "extreme coding"), then they will be joint owners of the code.

Joint ownership has an effect on copyright term: the basis date for calculating copyright term will be the last of the joint owners to die. The consent of all joint owners is required to license the code (which means that any individual joint owner wishing to use the code must obtain a license from all other joint owners, and any one joint owner may be subject to copyright infringement proceedings from the other joint owners). The only way this form of joint ownership may arise is through co-creation.

A second type of joint ownership may arise in England through the formation of a trust. In this case the two types of joint ownership are regarded under English Law as tenancy in common and joint tenancy. These forms of ownership do not depend on co-creation, and may be created by agreement, or assignment of copyright to joint owners in one of these forms. In brief, tenants in common can agree that they own certain proportion of the rights (e.g. 40/60). Joint tenants cannot, and it is not correct to describe them as owners of a share of the copyright in any meaningful sense. In both cases, the consent of all co-owners will be required for exploitation, as with the non-trust form of joint ownership. The details of trust law are beyond the scope of this chapter.

The position in Scotland, though having a broad similarity is quite different in important details. Joint ownership in Scotland takes the form of either common property or joint property. Common property is where property is owned by the parties in separate *pro indiviso* shares in the whole in such proportions as they may have agreed (for example, 50-50 or 60-40). Each share is legally, though not physically separate, and each proprietor may burden or alienate his own share (whether by, for example, assignation or testamentary bequest). In Joint property, there is a single indivisible ownership of the whole, and such burdening or alienation by one of the proprietors is not possible. Under modern conditions,

common property is the norm and Joint property is restricted to ownership by a body of trustees<sup>47</sup> or the members of an unincorporated association.

Of course, an assignation of a (say) one third *pro indiviso* share in the copyright of a program is not likely to be regarded in the market place as a particularly marketable commodity, so the practical outcome is as it is in England, namely, that for commercial exploitation, the consent of all the common owners is likely to be necessary, though the necessity is largely practical. In the case of Joint Property, properly so called, however, the necessity will also be legal.

As a general rule, since joint owners are only ever able to exploit the copyright with the agreement of the other joint owners, it is wise to document the rights that each joint owner has in a formal licence agreement, granting a licence from the joint owners to each joint owner individually. In this way, a general right to grant sub-licences, to exploit, create adaptations and so-on may be explicitly granted. If the co-owners intend that the software is released under an open source licence, then that licence itself may grant sufficient rights to each co-owner individually.

Under English and Scots law, it is not clear what happens to the copyright ownership of code which contains severable contributions in source code, which are then more closely intertwined in the object code. However it is submitted that not a great deal turns on this in practice.

In practice, and given the immensely long period of copyright subsisting in computer software, for code released under an open source licence, there are few practical differences between the different forms of co-ownership in open source.

By contributing to a pre-existing work by creating new modules or modifying or amending it, subsequent authors are creating a derivative work<sup>48</sup> of the underlying work, and therefore, the licence of the original author will be required both to amend it and to subsequently exploit it (open source licences will grant these rights).

Any co-owner will have standing to take proceedings against infringers, whether third parties, or another co-owner who is infringing.

It is not clear under English and Scots law how damages would be assessed for infringement of FOSS, including where the damages relate to a claim brought by one co-owner.

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<sup>47</sup>It is worth pointing out that neither joint ownership nor common ownership of itself creates a trust so the mere fact that property in one thing is held by a number of owners does not automatically mean that they are Trustees.

<sup>48</sup>“Derivative work” has no statutory definition in UK law, and is used in this chapter as shorthand for “a work based on a pre-existing work to the extent that exploitation of the new work will require the licence of the owner of the pre-existing work”. An adaptation (as defined in Section 21) will be a derivative work within this definition.

## The assignment of copyrights

In order to control the copyright situation better (to facilitate re-licensing, for example), it may be useful to collect all copyrights concerning a FOSS project within one organisation. The existence of this organisation will simplify the management and enforcing of the joint rights. The collective management of copyrights is perfectly possible under English and Scots law, and is usually, but not necessarily, facilitated by an assignment or assignation of the copyrights. As we have seen above, copyrights can be assigned at law only in writing, in a document signed by the assignor.

## Moral rights

FOSS originated in the United States, and therefore attaches less importance to the moral rights of the author. 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<sup>49</sup> or for certain areas of application<sup>50</sup>.

Computer programs *per se* do not attract moral rights<sup>51</sup>. However, related materials, to the extent that they are still literary works, may attract protection by way of moral rights (if they are created by independent contractors or other individuals who are not employees). Most obviously, this may include operation manuals.

Moral rights in the UK are less absolute than in many other European jurisdictions. All moral rights are potentially capable of waiver by the content creator (both before and after creation of any specific work), and copyright assignments and employment contracts frequently contain general waivers.

## Enforcing FOSS licenses

In one sense, it is meaningless to talk about FOSS licences being “enforceable”.

Under English law, FOSS licences are best understood as bare licences, and as such may provide a defence to a claim of copyright infringement, but, under English Law, no one is able to commence a claim under the FOSS licence itself. However this point has not been judicially determined in the United Kingdom<sup>52</sup>.

Under Scots Law, however, there is no obvious impediment to the owner of the copyright seeking to bring proceedings against a licensee for breach of the conditions under which the licence was granted. That action might seek either

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<sup>49</sup>OSD Clause 5.

<sup>50</sup>OSD Clause 6. Bruce Perens indicates, e.g., that an author of FOSS cannot provide a clause that prohibits the use of the software by regimes such as the former South African apartheid regime (B., PERENS, “The FOSS Definition”, <http://perens.com/OSD.html>).

<sup>51</sup>Sections 79 and 80

<sup>52</sup>For judicial discussion of this point in the United States, see *Jacobsen v. Katzer* [<http://www.cafc.uscourts.gov/opinions/08-1001.pdf>]

the statutory remedies available for copyright infringement (the conditions having been breached, the act of copying is no longer permitted) or it might seek the contractual remedies stipulated in the licence, since all licences (including what in English Law would be regarded as a mere “bare licence”) are, equally, contractual. Further, because of the nature of the obligations of the Licensee as conditions attached to the grant of the permission, the right to enforce those conditions will go with the ownership of the copyright. It follows therefore that the copyright may be assigned to another without the need for a separate assignation of the supposed “right” to enforce the copyright.<sup>53</sup>

Another way of looking at the issue (and, it may be, from the English Law perspective) a better question is whether a FOSS licence can provide an effective defence against a claim of infringement. This point has also not been judicially determined in the United Kingdom, but it is difficult to construct an argument as to why such a licence would not act as an effective defence, except possibly that, as a bare licence granted under English Law, it may be withdrawn on notice by the copyright owner. However, the doctrine of promissory estoppel (discussed above) provides a mechanism to restrict this right of withdrawal where the licensee has relied on the licence.

Although a Scottish Court could similarly rely on the analogous concept of Personal Bar to restrict the exercise of the right of a proprietor to withdraw the Licence where that has been relied upon to his detriment by a Licensee, it is more likely that the Scottish Court would effectively deal with the matter at the stage of determining whether the copyright proprietor’s permission can indeed be withdrawn at will. As explained above, the Court would set itself the task of seeing whether the contract (for such is even what English Law regards as a bare licence) contains an implied term as to duration. In the case of FOSS licences, it would consider the architecture and structure of the licences (particularly their cascade nature, the accretion of rights as the program is developed, and the automatic downstream licensing provisions) and, it is submitted, have little difficulty in coming to the view that there is an implied term that the license duration is perpetual, and that the licence cannot be terminated by the proprietor at will.

### **Parties to the licences**

If one author makes his work available under a FOSS license, the answer is clear: the licence is granted by the author to the licensee. In case of different co-authors, it becomes more complicated. If the licensors are co-owners of severable parts of the work, then there will be a sequence of licences in place between those co-owners and the licensee.

In most cases FOSS will be the work of several authors who did not work in joint

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<sup>53</sup>There is no case in Scotland directly dealing with FOSS licences, but there is a useful (albeit *obiter dicta*) analysis in a case concerning proprietary software: *Profile Software Ltd v. Becogent Ltd (2005) ScotCS CSOH\_28 (16 February 2005)*. The same principles will apply to FOSS licences.



consultation. FOSS is usually realised via a tree of authors who all contributed to the version of the program. In so far as a new author makes an original contribution to the work, a derivative work is produced. The licensee of the eventual work will need to have the consent of every author in the chain who made an original contribution to the eventual work, starting with the author of the first work. This consent can be by a direct licence (as with the GPL, where the licensee is expressed to receive a direct licence from all previous licensors of the work), or indirectly by giving consent in the FOSS license to the next author to modify and distribute the work (essentially a sub-licence).

Several FOSS licenses solve this by explicitly confirming that the licensee will receive a licence from all prior authors in the tree. GPL version 3, for instance, contains the following clause: “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<sup>54</sup>

### Validity of the FOSS licence as a contract

An author chooses a FOSS license because he wants to distribute his work and make it available to others — possibly with certain restrictions. For him it is important that he can enforce these restrictions.

Conventional commercial licence agreements are reached 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 inferred. 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.

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<sup>54</sup>GNU GENERAL PUBLIC LICENSE (GPL) version 3, article 10, <http://www.gnu.org/copyleft/gpl.html>].&#8221; and GPL version 2: “each time you redistribute the Program (or any work based on the Program), the recipient automatically receives a license from the original licensor”[uk\_81].

In this way the user of the software obtains a license from all authors in the tree.

Users of GPL programs (such as the Linux kernel) may, therefore, be operating under a large number of parallel licences, each granted by an individual author of the underlying work.

Licences such as the MIT and BSD do not contain such explicit wording, and it is probably easiest to consider that the right granted to the licensee includes the right to sub-licence, so the end-user is receiving a single licence to the software from his or her immediate licensor, which, in respect of the parts of the work of which the licensor is not the owner, are sub-licensed to the licensee by the licensor. There are no judicial interpretations of this issue under English or Scots law, and it is not clear what the effect may be. However, one consequence may be that under English Law, if a licensor successfully argues that he can withdraw a bare licence on notice (and the doctrine of promissory estoppel is found inapplicable)[uk\_82], then a licensee under a sub-licence (which was granted when the original licence was still in force) will be better protected against withdrawal than a licensee receiving a number of parallel licences, one of which is withdrawn. It is also the case that if (as discussed below) a licensee has a claim against the licensor for a defect in the software, that the licensor will be better protected in circumstances where there is a large number of parallel licences, as opposed to their being one licence between the licensor and the licensee.

Many FOSS licences are drafted in such a way that there is no obligation on the licensee: merely a set of conditions with which the licensee must comply in order to benefit from the protection of the licence. English law requires that for a contract to be validly formed, there must be an intention to create legal relations, an offer and an acceptance of that offer, and mutuality of obligations on both parties. If the licensee is operating within the scope of the conditions, then he obtains the protection of the licence. If he is operating outside their scope, then he is potentially liable to a copyright infringement claim. There is no obligation for him to act in accordance with the condition: but consequences are likely to flow if he fails to do so.

Where it is ambiguous whether a term could be interpreted as a condition or an obligation, then it is argued, that by analogy with the principle that where contract terms are to be implied, they should be implied to the minimum extent possible to give business efficacy to the agreement, that a contract itself should not be implied unless such an implication is necessary to give business efficacy to the relationship. In many cases, it will not be necessary.

It is an open question as to whether the approach adopted by the Scottish Courts might differ. As noted above, Scots Law does not require consideration for there to be a contract. If the copyright owner undertakes to grant a licence on certain conditions and a licensee then, in effect, avails himself of the permission, it is at least arguable that his so availing himself of the permission amounts to an acceptance of the offer which falls to be inferred *rebus et factis* and there is thus a contract which does create obligations upon the licensee.

In any event, FOSS licenses which are concluded in accordance with the contractual mechanism and comply with the characteristics required by English Law (or which, in Scots Law terms discloses that a contractual consensus has been reached) will have been validly formed and enforceable as contracts. However, from the English perspective, owing to the lack of mutuality of obligations, it is arguable that many of them will be regarded by an English court as bare licences as opposed to contracts. As explained, this is unlikely to become an issue if the licence falls to be interpreted under Scots Law.

Typically, in a FOSS environment, however, software is made available with the simple specification on a website or in the source code of the software that it concerns FOSS. The license usually does not need to be explicitly accepted. 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 licence conditions with the aim of confirming the agreement between licensor and licensee<sup>55</sup>.

The question is whether in these cases a valid licence is granted. In other words, as we have seen before, is a user of the software under a FOSS licence within the scope of its terms able to defend a claim of copyright infringement from the licensor? Using the software without the author's consent implies a

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<sup>55</sup>OSD Clause 10.

copyright infringement. There is no reason to believe that the FOSS licence does not grant effective consent (although, as stated above, this is subject to a possible right of withdrawal on notice). Since there is no implication (that cannot be rebutted by the application of an explicit licence) that software made available on the internet has been dedicated to the public domain (to the extent that such dedication is at all possible), or is made available under some sort of liberal implied licence, this has the consequence that everyone who wants to use software which they find via the internet, needs actively to look for a licence.

Since the FOSS licence is the only means by which authorisation to use the software is granted, and failing that authorisation, the use will almost invariably be a breach of copyright, there is little value in a user trying to dispute the existence or validity of the licence under either English or Scots Law.

### **Violation of licence terms**

Where a user is using software subject to copyright other than in accordance with the conditions contained in a licence, then that use will (unless a statutory exception applies) be in breach of copyright, and the user will be liable to a copyright claim from the copyright owner. This is equally true if the licence is contractual. However, in this latter case, the licensee may also be open to a claim for breach of contract. This distinction may also affect the interpretation of the terms of the licence, as it becomes open to the court to interpret contract terms as conditions or warranties. If the term is a condition, then use of the software outside its scope is both a breach of contract, and also a breach of copyright. If the term is a warranty, then the use of the software will not be a violation of copyright, but breach of the warranty will open the licensee to a contractual claim.

There are several other consequences of a FOSS licence being determined to be a contract.

A contract is amenable to specific performance: an equitable remedy, granted at the court's discretion, under which a party to a contract is compelled to perform it (as opposed to paying damages for his failure to perform). This may apply to obligations to release source code.

In addition, under English Law, as a contract, the Contracts (Rights of Third Parties) Act 1999 will apply (in default of its explicit exclusion). If, for example, a FOSS licence provides that the licensee must provide all third parties with copies of source code on request, then any third party (i.e. anyone in the world) would, under that Act, be entitled to apply to the court for an order to enforce that obligation as against the licensor. Similarly, under Scots Law, the third party would probably be able to rely upon a *ius quaesitum tertio*.

Further, under insolvency legislation, insolvency practitioners administering the affairs of an insolvent individual or company are granted certain powers to terminate unprofitable or onerous contracts, which may include FOSS licences

granted under contract<sup>56</sup>. Similar provisions apply in Scotland.

### Waiver and liability

There is, under English and Scots Law, no automatic connection between the ownership of copyright, and liability arising from a defect in that copyright work. Liability for a defect in that work will arise either because of an explicit or implied contract term in a contract between the provider of the software (who may or may not be its owner, and therefore the licensor) and the user. Contract terms implied by the Sale of Goods Act 1979 (which are unlikely to apply directly to software *per se*, but may apply to a physical good which incorporates software) include a warranty that the item is fit for purpose and of satisfactory quality. In a contract for the supply of services (made in the course of a business), the term implied is that the service provider applied reasonable care and skill in the supply of the services (Supply of Goods and Services Act 1982). In most cases, there will be no such contract between the supplier and the end-user where FOSS is involved, and, even if there is, it may well be the case that such a contract is not in the course of business.

It is theoretically possible that an author could be liable to a licensee in tort including negligence<sup>57</sup>. However, it is generally difficult in English and Scots law for a person to claim for non-physical (i.e. pure economic) loss unless there is some sort of connection between the two parties where it is reasonable for one party to rely on the other's knowledge and expertise.<sup>58</sup>

Typically, FOSS licenses contain strong exclusion clauses, which attempt to discharge the author from all liability<sup>59</sup>. One reason 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>60</sup>. Another is a simple principle of fairness in that programmer should not be asked to accept liability for something when she has no control over the distribution of it.

Although this reasoning is certainly valid for the amateur programmer, it applies

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<sup>56</sup>Insolvency Act 1986

<sup>57</sup>Or, in Scotland, delict or negligence.

<sup>58</sup>*Caparo Industries plc v Dickman* (1990) 2 AC 605

<sup>59</sup>See e.g., the BSD license (<http://www.opensource.org/licenses/bsd-license>): "THIS SOFTWARE IS PROVIDED BY <copyright holder> **AS IS** AND ANY EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE DISCLAIMED. IN NO EVENT SHALL <copyright holder> BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, OR CONSEQUENTIAL DAMAGES (INCLUDING, BUT NOT LIMITED TO, PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES; LOSS OF USE, DATA, OR PROFITS; OR BUSINESS INTERRUPTION) HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY, WHETHER IN CONTRACT, STRICT LIABILITY, OR TORT (INCLUDING NEGLIGENCE OR OTHERWISE) ARISING IN ANY WAY OUT OF THE USE OF THIS SOFTWARE, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGE."

<sup>60</sup>B., PERENS, "The Open Source Definition", *Open Sources: Voices from the Open Source Revolution*, <http://perens.com/OSD.html>.

much less for professional programmers who built their business model around FOSS<sup>61</sup>. Professional suppliers of FOSS or related services often provide warranties and indemnities<sup>62</sup>. There is no reason, in principle, why a person may not warrant the performance of another person's software (or indeed its title). However, care should be taken to ensure that such a business does not become an unlawful insurance business.

The Unfair Contract Terms Act 1977 is the primary piece of legislation governing exclusion clauses. Some exclusion clauses (such as those limiting liability for death and/or personal injury caused by the negligence of the person seeking to rely on them) are not capable of exclusion under the Act (irrespective of whether or not they are contained in a contract, although the title of the Act might suggest otherwise). Further, outside the context of a contract, clauses which seek to exclude liability for negligence are enforceable only to the extent that they are reasonable. The question as to whether a notice is reasonable or not, is ultimately a question of fact for the judge. Bearing in mind, first, the reluctance of judges to find liability for purely economic losses in non-contractual negligence cases, and, second, that the software is licensed for free, it would seem unlikely that under English or Scots law the author of FOSS would find himself liable in negligence for mere non-performance of the software. However, where the software was specifically provided for use where its failure might cause death or personal injury, the exclusions of liability contained in the licence would not apply.

Perhaps anomalously, if the FOSS licence is found to be a contract<sup>63</sup>, the Unfair Contract Terms Act applies somewhat differently. The rule about inability to exclude liability for death and personal injury arising from negligence remains, but the reasonableness test in respect of other terms only applies where the licensee deals as a consumer or on the licensor's written standard terms of business. Taking the latter point first: it would initially seem that a FOSS licence would count as written standard terms. First, where the licensor is not acting in the course of a business, then the terms may be written and standard, but they will not be terms of business. Even if the licensor is licensing the software in the course of his business, it may be that the licence is not his standard terms: it has been argued, in the context of building contracts, that where the terms are not imposed by the contractor, but are standard terms drafted by a third party (for example, the Royal Institute of British Architects) that they are not the other's written standard terms of business. This argument may well be applicable to FOSS licences which are drafted by a third party (for example, the various flavours of GPL). If this argument is successful, the exclusion will be applicable if either the licensee or the licensor is not operating as a consumer (that is, operating within the scope of a business). The upshot

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<sup>61</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, p. 35.

<sup>62</sup>The GNU General Public License expressly allows this (GPL v. 2, art. 11; GPL v. 3, art. 7).

<sup>63</sup>An outcome which may be more likely in Scotland than in England

of this is that even if a FOSS licence is found to be a contract, in many of the contexts in which FOSS is employed, the Unfair Contract Terms Act will not impinge on typical exclusion clauses (at least to the extent that they exclude liability for loss not relating to death or personal injury), and even if it does, then the judge will consider whether the exclusion is reasonable, for which the fact that there may well be no direct relationship between the licensor and licensee, and that the software is being licensed at no cost, will all be relevant factors.

If the FOSS licence can be construed as a contract, and the transaction is made with a consumer, then the Unfair Terms in Consumer Contracts 1999 will apply. Further analysis is not appropriate given the space available in this chapter, but consideration of exclusions of liability is likely to be similar to consideration under the Unfair Contract Terms Act 1977.

The Consumer Protection Act 1987 (“CPA”) implements the directive 85/374/EEC. UK Government guidance suggests that software is a product for the purposes of the Act, and that the producer of software may find himself strictly liable where software finds itself into the supply chain of a dangerous product<sup>64</sup>. However, the CPA does provide a defence to a provider of a dangerous component where that component was supplied free and not with a view to a profit.<sup>65</sup>

## The copyleft principle

### Principle

A characteristic found in different (but not all<sup>66</sup>) FOSS licenses is the so-called “copyleft” principle. FOSS licenses which incorporate the copyleft principle<sup>67</sup>, lay down the principle that everyone in the chain of consecutive users, as a condition of the grant of the right of use of the software, needs to distribute the improvements he makes to the software and the derivative<sup>68</sup> works he makes under the same conditions to other users, if he chooses to distribute such im-

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<sup>64</sup><http://www.bis.gov.uk/files/file22866.pdf>

<sup>65</sup>Consumer Protection Act 1987 Section 4(c)

<sup>66</sup>Neither the principles (freedoms) of the Free Software movement, nor the Open Source Definition mandate the copyleft clause. Many FOSS licenses do not contain a copyleft clause. Examples are the Berkeley Software Distribution (BSD) license and the Academic Free License.

<sup>67</sup>E.g., GPL version 3 Art. 5 stipulates: “You must license the entire work, as a whole, under this License to anyone who comes into possession of a copy. This License will therefore apply, along with any applicable section 7 additional terms, to the whole of the work, and all its parts, regardless of how they are packaged. This License gives no permission to license the work in any other way, but it does not invalidate such permission if you have separately received it.” GPL version 2 Art. 2 b stipulates: “You must cause any work that you distribute or publish, that in whole or in part contains or is derived from the Program or any part thereof, to be licensed as a whole at no charge to all third parties under the terms of this License”.

<sup>68</sup>It has been argued that some licences, for example the GPL, try to impose obligations which impose on works which are connected with the relevant work in a way which is more remote than a derivative work: for example, through linking. This issue is beyond the scope of this chapter.

provements or derivative works. In other words, software which incorporates copyleft FOSS, needs to be distributed in turn as copyleft FOSS.

The copyleft principle is restrictive. Businesses which rely on licence revenue as an income stream will find that they cannot incorporate third party code released under a copyleft licence into their proprietary offering. It is also restrictive, in that with few exceptions<sup>69</sup>, it is not possible to combine software under two different copyleft licences and then distribute them. The reason for this is that both copyleft licences will insist on the resulting software being released under their own terms to the exclusion of any other.

Sometimes warnings are 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. Under English law, the court's powers to compel the release of the source code would be contained in the equitable order of specific performance. Only if the relevant FOSS licence amounted to a contract would this remedy be effective, and even then, the remedy would be at the discretion of the court.

Under Scots Law, the risk for the infringing company would be higher. In the first place, there is a greater likelihood that a FOSS licence would be regarded as contractual, and, second, the Scottish remedy of specific implement will generally be granted, the court's discretion to refuse it being limited to cases where to grant the remedy would give rise to exceptional hardship, where the obligation is for the payment of money, where the contract, if specific implement were granted would result in the creation of an intimate relationship<sup>70</sup>, where compliance would be impossible<sup>71</sup> and where the court cannot enforce the decree<sup>72</sup>. In those cases where specific performance or specific implement was not granted, it is likely that there would be the grant of an injunction, or, in Scotland, an interdict to prevent distribution of the infringing code, coupled with a damages claim. The infringing company, if it were not prepared to comply with the terms of the FOSS licence, would therefore have to release its software without the infringing FOSS code, either at a cost of impaired functionality, or alternatively by obtaining or writing code with similar functionality from elsewhere.

## Damages

Damage caused by copyright violations are compensated for under English and Scots law by the applying one of two measures of damages, as selected by the

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<sup>69</sup>The European Union Public Licence, for example, permits re-licensing under the GPL instead of its own terms.

<sup>70</sup>For example, an action to enforce a promise of marriage

<sup>71</sup>Such as a contract to grant a lease of land which the party does not own; or to sell the Forth Bridge—at any rate by anyone other than Network Rail

<sup>72</sup>For example, against a foreigner who is furth (i.e. out) of the jurisdiction and who would not be available to have sanctions, such as imprisonment for contempt of court, enforced against him.

copyright owner. These are either an account of profits (in Scotland, an action of accounting for profits) or damages representing the loss in value to the copyright owner of the underlying work.

The difficulty with seeking an account of profits or accounting for profits can be in determining what proportion of the profits of any infringing sale are capable of allocation to the specific piece of copyright owned by the claimant. However, where an infringer takes a piece of software (FOSS or otherwise) where the claimant is the owner, and sells it a profit in violation of the owner's rights, the claimant is entitled to the profits so derived.

So far as diminution of value of the underlying work is concerned, it can be difficult for a court to determine that there is a loss in economic value, especially where the work in question is made available free of charge. This is where dual licensing can assist the claimant: if the software is also made available under a proprietary licence for which a fee is charged, then the court may be persuaded that this is the appropriate fee on which to base damages for infringement<sup>73</sup>.

Statutory damages such as dual or triple damages are not available under English or Scots law. However, under English law, punitive and exemplary damages may be awarded in extreme cases, but such awards are rare. Under Scots Law there is no concept of punitive or exemplary damages and under no circumstances are damages anything other than compensatory. The general rule in litigation in England is that "costs follow the event" and in Scotland that expenses follow success: in other words, the party which prevails is likely to be awarded its costs (in Scotland, its expenses). However, costs or expenses are at the discretion of the judge, who may, nonetheless award costs or expenses against a prevailing party for many reasons, including poor conduct of the case, the prevailing party winning on a technicality in a case which should never have been brought, and so on. Even where a party is awarded costs or expenses, recovery is rarely 100% of the costs expended, as costs and expenses are limited to what is known as "judicial expenses", which is to say only such expenses as it is considered proper to be recovered against an unsuccessful party, and only in a sum which is considered reasonable. This is established in a process called "taxation". In England, costs are typically reduced to around 60% of the costs actually expended. In Scotland, the amount of the reduction in expenses is more difficult to predict, but there will almost always be a reduction which can be substantial.

## FOSS cases in the United Kingdom

There have not yet been any reported cases (June 2014).

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<sup>73</sup>It does not follow logically that the capital value of piece of software is diminished by an amount equal to the cost of a proprietary licence each time the software is distributed in infringement of that licence, but courts have been persuaded to award damages on this basis, ignoring the stricter "diminution in value" rule.



## Legal procedures

Stephen Mason kindly reviewed this section from a litigator's perspective.

### England

FOSS-related cases in England will typically be copyright infringement cases, and will be heard in the civil courts. Simple cases may be heard in the county court, but cases with special legal significance, or of higher worth, will be heard in the High Court. Cases are decided by a single judge: jury trials are extremely rare in civil cases in England.

A case will typically commence with the claimant's lawyer sending a letter before action setting out the claim. Many types of claim in England will render the claimant at risk of costs if a strict pre-action protocol (or default practice direction) is not followed. There is currently no pre-action protocol for intellectual property cases so the default rules apply. A claimant will always be at risk of a costs claim unless care is taken to give the defendant an opportunity to settle the case. The English courts regard themselves as the dispute resolution mechanism of last resort, and failure a party to show evidence of adequate attempts to resolve the dispute by alternative means may render it liable to costs.

A claimant may apply for an injunction to restrain infringement of intellectual property rights, and there is no reason why this should not in theory apply to an infringement of a FOSS licence. However, injunctions are not granted as of right, and are always at the discretion of the judge. In an emergency, an injunction may be claimed *ex parte* meaning that the claimant applies without giving notice to the defendant. The courts are reluctant to grant such an extreme remedy, and will require the claimant to demonstrate the necessity of such a remedy, as well as giving an undertaking to bring the matter to trial, and pay the defendant's costs if the injunction proves to be unfounded. An interim injunction may be granted on notice, where the defendant is given an opportunity to set out its case prior to a full trial.

As well as demonstrating clean hands (that the claimant has not itself committed some wrongdoing), the claimant will have to establish that damages are an inadequate remedy (in FOSS cases, where a licence fee is not paid for use of the software, the claimant could put this argument particularly strongly, saying that its intention in making the software available was never to make money, but to require those redistributing derivative works of it (in the case of copyleft software) to make those derivative works available under a similar licence. The court will also apply a balance of convenience test to determine whether the grant of an injunction pending the trial will, on balance, benefit the claimant more than it harms the defendant<sup>74</sup>.

A useful additional remedy is the forfeiture of infringing articles. Furthermore,

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<sup>74</sup>*American Cyanamid -v- Ethicon Ltd.* (1975) RPC 513

if, there is perceived to be a risk that evidence may be destroyed (for example hard discs scrubbed) then a useful weapon is, again on an *ex parte* application, the granting of a search order for the seizure and securing of evidence<sup>75</sup>. The English civil law system is adversarial as opposed to inquisitorial, and the judge decides on the basis of the arguments put by the parties' lawyers (usually, in court cases, barristers). However, the English High Court possesses a division called the Technology and Construction Court where the Judges are somewhat more experienced in technology matters than other divisions of the High Court, and are accordingly more likely to take it on themselves to take on a minor inquisitorial role. It is by no means automatic that a FOSS case will be heard by the Technology and Construction Court, and in fact, this division is better regarded as being the appropriate one for handling projects-type cases with multiple parties, rather than two-party intellectual property claims.

We have seen already that the English litigation system operates a costs-follow-the-event mechanism, but that costs are in the gift of the judge who decides on the basis of the conduct of the parties, and are subject to the process assessment called taxation.

Aggrieved parties are able to appeal from the High Court to the Court of Appeal, in cases where the Judge has erred on a matter of law, and from there there is a right of appeal on a question of law to the Supreme Court (formerly the House of Lords), although leave has to be granted either by the Court of Appeal or, on an application, by the Supreme Court itself. In cases involving questions of EU Law it is open for the High Court or the Court of Appeal to refer the question to the European Court of Justice, though such a reference is not mandatory. However, a reference from the Supreme Court in such a case would be mandatory.

## Scotland

Cases in Scotland relating to FOSS may be likely to be seeking either remedies for copyright infringement or remedies available under the Licence. Such cases do not involve any question of criminal law, and will be brought in the civil courts. Under the Scottish Court structure, the country is divided into a number of Sheriffdoms and each Sheriffdom will, typically, have a number of courts within it — one in every large town and some, indeed, even in very small communities in remoter parts of the country. The Sheriff has both a civil and a criminal jurisdiction but, of course, a licensing dispute will be heard by him under the civil Ordinary Cause rules. There is no upper financial limit on the cases which can be heard in the Sheriff Court, nor is there any filter to reserve more difficult cases to higher courts. In the result, in the areas with which this Chapter is concerned, the Sheriff Court's Jurisdiction is, effectively, co-extensive with that of the Court of Session.

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<sup>75</sup>Formerly known as an Anton Piller order after *Anton Piller KG v Manufacturing Processes Ltd* (1976) Ch.55

The Court of Session is the supreme civil Court in Scotland<sup>76</sup> and is divided into the Outer House (the equivalent of the High Court in England) which hears cases at first instance, and the Inner House (the equivalent of the Court of Appeal in England) which hears Appeals from both the Outer House and the Sheriff Court. The standard form of litigation in the Outer House is by way of an Ordinary Action<sup>77</sup> though there is also available a special Intellectual Property Action procedure and a special Commercial Action procedure. Because a case concerns intellectual property and might competently be heard under the intellectual property procedure, does not compel it to be so heard. The pursuer might opt to raise the action as an ordinary action, or, if the case is commercial in nature, might (but is not compelled to) raise it as a commercial action.

There are both Intellectual Property Judges and Commercial judges, but neither of these types of specialist judges are allocated only cases in the areas in which they specialise. There is a heavy demand on judicial time in Scotland, and all of the Senators of the College of Justice<sup>78</sup> are liable to find themselves doing anything. Thus, intellectual property judges can find themselves hearing, say, road accident or medical negligence cases, or divorces, or cases about the more arcane areas of wills and succession or revenue law. Because of the collegiate nature of the Court of Session, an intellectual property judge might find himself in an emergency called upon to sit in the Inner House. Further, although the High Court of Justiciary (the supreme criminal Court in Scotland) is an entirely separate court with its own history and procedures, and its own judges (Lords of Justiciary) the judges of the High Court of Justiciary are the same people as the judges of the Court of Session, only wearing different robes and occupying a different office. Accordingly, the Intellectual Property judges are quite likely to find that they spend some of their time hearing criminal trials in Glasgow High Court. A similar position potentially arises in the case of Commercial judges, but there is an expectation that they will be largely relieved of duties other than sitting as a commercial judge. There is no such expectation in the case of Intellectual Property judges. As a result, it may happen that an intellectual property judge will not be available to hear an intellectual property case, but the rules allow any other judge to hear intellectual property cases.

In addition, a few, but by no means all Sheriff Courts also have a commercial action procedure modelled on the commercial procedure in the Court of Session.

Therefore, a pursuer who is contemplating raising an action relating to FOSS may competently be able to do so as a Sheriff Court Ordinary action, a Sheriff Court Commercial action, a Court of Session Ordinary action, a Court of Session Commercial action, or a Court of Session Intellectual Property action.

Commercial actions and Intellectual Property actions are subject to more proactive case management by the Court than are Ordinary actions and every effort

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<sup>76</sup>Not to be confused with the Supreme Court of the United Kingdom, to which an appeal lies from the Inner House of the Court of Session).

<sup>77</sup>Petition procedure is not likely to be applicable in a typical intellectual property case

<sup>78</sup>The proper name for Court of Session judges.

is made to ensure that one judge is allocated to deal with the whole of the case (with Ordinary actions, cases are dealt with by whichever judge happens to be free at the time). Commercial actions are subject to a strict pre-action protocol involving the need for solicitors to send letters before action and to discuss the dispute and, if nothing else, at least narrow the issues. Theoretically, failure to go through the pre-action protocol may result in a penalty in expenses, though this does not always occur. It is also theoretically possible for the court to dismiss the action for failure to give effect to the pre-action protocol, but this seldom happens. There is no mandatory pre-action protocol in either Intellectual Property actions or Ordinary actions. Unlike England, the Scottish Courts do not tend to see themselves as the dispute resolution mechanism of last resort, and (certainly in Intellectual Property and Ordinary actions) there is no compulsitor for a party to attempt to resolve the dispute by alternative means.

Civil jury trials do not exist in the Sheriff Court and, in the Court of Session, are available only for reparation and defamation cases. Accordingly, any dispute relating to FOSS will be heard by a judge sitting alone, though, in the case of the Intellectual Property procedure, there is the possibility of the judge sitting with an expert assessor.

A pursuer may apply for an interdict to restrain a wrong, for example the infringement of intellectual property rights or of contractual rights. If he can demonstrate that there is sufficient urgency he can obtain an *interim* interdict before service of the Summons (i.e. without notifying the defender in advance, unless the defender has lodged a *caveat*); but, of course, he has no automatic entitlement to the grant of an *interim* interdict — he has to demonstrate that one is required on the balance of convenience. Even if an interim interdict is obtained, the defender might always enrol a motion for a recall of the interdict, and the court will then hear both sides on what is usually a fuller argument. Just where the balance of convenience lies is very much a matter for the judge in the whole circumstances of the case.

These remedies will apply in a FOSS case as they would in any other case.

A useful additional remedy available in Scotland as it is in England, is the forfeiture of infringing articles. Furthermore, if, there is perceived to be a risk that evidence may be destroyed (for example hard disks scrubbed) then a useful weapon is, again on an *ex parte* application before service of the Summons, the appointment by the Court of a Commissioner (usually a Senior Counsel) to conduct a “dawn raid” to seize and secure evidence.

The Scottish civil law system shares with the English system the characteristic of being adversarial as opposed to inquisitorial, and the judge decides the case on the basis of the arguments put by the parties’ lawyers. If the case is being conducted in the Court of Session, this will usually be an Advocate<sup>79</sup> though may also be a Solicitor-Advocate<sup>80</sup> and if the case is being conducted in the

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<sup>79</sup>“Barristers” is the name given to Advocates in England

<sup>80</sup>More properly, a Solicitor having rights of audience in the Court of Session

Sheriff Court, may be an Advocate but is rather more likely to be a Solicitor.

As noted above, expenses (which, however are subject to taxation) will usually follow success, though this may not always be the outcome, depending on the view which the judge may take of perceived special factors.

Aggrieved parties may appeal from the Sheriff to the Sheriff Principal of the Sheriffdom in which the case was heard, and from the Sheriff Principal to the Inner House of the Court of Session. The Appeal to the Sheriff Principal is optional, and an aggrieved party can elect to appeal instead from the Sheriff direct to the Inner House. If the case was heard in the Outer House of the Court of Session, then the Appeal lies to the Inner House. From there, there is a right of appeal to the Supreme Court (formerly the House of Lords). The right of appeal is absolute and no leave is required either from the Inner House or the Supreme Court, though the Appellant does require to obtain a certificate signed by two counsel certifying that there are stateable grounds of Appeal. In cases involving questions of EU Law it is open for the Sheriff Court or the Outer or Inner Houses of the Court of Session to refer the question to the European Court of Justice, though such a reference is not mandatory. However, a reference from the Supreme Court in such a case would be mandatory.

### **Recommended literature**

- Law and the Internet Third edition, ed. Edwards and Waelde, Hart Publishing Oxford 2009, esp. Chapter 11, Andres Guadamuz
- A Manager's Guide to IT Law, second edition, British Computer Society, 2011
- Stephen Mason, general editor, Electronic Evidence (3rd edition, Lexis-Nexis Butterworths, 2012)