Commercial Open Source… a misnomer?

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CURIOSS

Ireland Open Innovation Summit

Dublin February 2026

Open source cannot be commercial... cannit?

(the code is free… and for free!)

But all companies around the world are open source companies

- They just don't know it*
- And probably their product / service mix is not based "principally" on a single open source technology
- So, when we refer to "Commercial Open Source", we mean **companies that create, support and commercially exploit a single or several open technologies as the basis of their value proposition.**
  - Red Hat
  - Cloudera
  - Grafana
  - Databricks
  - Aqua
  - ……

* 2024 Harvard Business School study: ["96% of commercial programs rely on open source](#) and that the total value of open source code comes to a cool $8.8 trillion".

Reminder... (again)!

Open source is not a licensing or commercial model

- It's a collaborative software development model
- That needs a community
  - without community, it's called "my pet project" or "abandonware"
- And (express or implicit) governance and community balance
  - without this, it forks (OpenSearch, Valkey, OpenVox)

- And it's all independent of the license type (permissive, copyleft)

Question: how to make OSS sustainable through community and governance?

- Several ways
  - Alliance of volunteers (the willing)
  - Government funding
  - Foundational models
  - Sponsorship
  - Commercial venture 🔲🔲🔲
  - …
- This is where "commercial open source" comes in: a commercial entity that builds and sustains the community, provides financial support when necessary, and establishes governance processes.

Commercial OSS models

Dual licensing	• MySQL, Qt, iText…
Open Core	• from SugarCRM and Alfresco to Clickhouse through Cloudera…
SaaS / MSP	• Most COSS today - e,g Mongo DB as a service
Services	• from IBM to Red Hat to your local Linux support group
Hardware +OSS	• TensTorrent, SiFive, NVidia…
Security layers, hardening	• Chainguard, Aqua
Marketplaces	• Github, Kubernetes
Infrastructures	• AWS, Mongo, Together.ai, Hugging Face

Examples of the top VC funded COSS

Company	OSS License(s)	Business Model
Databricks	Contributes OSS (various)	Enterprise cloud SaaS & proprietary platform-(usage / subscriptions)
Tenstorrent	Open-source SDK/tools	Hardware sales + support ecosystem
ClickHouse	Apache 2.0	Open-core + Cloud SaaS
Chainguard	OSS components	Subscription/licensing for hardened security tools
Together.ai	Uses OSS models	AI infrastructure cloud (usage/subscriptions)
Vercel	MIT/Permissive	Freemium + paid cloud hosting
Supabase	MIT/Apache 2.0	Tiered SaaS + community growth
Aqua	OSS tools	Enterprise SaaS for security
Tailscale	BSD	SaaS subscription (device/user pricing)

Sidebar: LF Research report on state of commercial open source (COSS)

- **Greater Valuation:** COSS firms average 7x greater valuations at IPO and 14x at M&A, as compared to closed-source peers
- **Greater Graduation Rates:** COSS likelihood of progressing from Seed to Series A nearly twice as high as their closed-source counterparts
- **Higher Valuations:** COSS companies raise at higher valuations, with median multiples of 1.6x at Series A and 1.23x at Series B compared to closed-source peers, and secure larger rounds, especially at Seed (1.45x) and Series A (1.33x)
- **Fund Faster:** COSS companies move through the funding funnel more quickly, with shorter time gaps between rounds, 20% faster to Series A and 34% faster to Series B
- **Exits are Real:** 12% of COSS companies in the venture funnel have reached IPO or acquisition
- **Established Investment Category:** COSS accounts for an average of 250 deals per year and about $9 billion deployed yearly by investors from 2019-2024
- **Open Source Companies Focused on the Backbone of Modern Software:** Around 90% of COSS companies operate in infrastructure software rather than business applications

Analysing the "COSS business" models

Most OSS based companies combine **at least two** of these:

Open source for adoption and sharing
+
Something scarce for monetization

- Scarce things usually are:
  - Hosting & scale
  - Enterprise trust and security
  - Compliance
  - Hardware
  - Network effects
  - Operational excellence
  - Know-how

Commercial OSS ventures create tension

- Between (non-paid?) volunteers and commercial revenue*

- Successful commercial ventures based on open source ("commercial open source?) achieve this balance and a "win-win"

- But must be very clear: the company and paid staff are / must be part of the community… they should not take advantage of the community

* Tidelift 2024: 60% of OSS maintainers are unpaid..

So back to basics: open source is a collaborative software development model

- Any business (model) wanting to leverage an open source technology needs to match its commercial model with its community, and develop community (more than / as well as) the product / service…

- *"When we consider how open source communities change following funding rounds, our analysis reveals a symbiotic relationship where funding benefits both the company's business goals and the health of the community itself, fostering continued participation and use."*

FIGURE 30

CHANGE IN COMMUNITY HEALTH FOLLOWING FUNDING ROUNDS

27% increase in distinct contributors

2 new contributing organizations

52% increase in release frequency following funding rounds

Linux Foundation Research: The State of Commercial Open Source 2025

References (shameless plugs)

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  - https://www.library.hbs.edu/working-knowledge/open-source-software-the-nine-trillion-resource-companies-take-for-granted

Thanks for your attention!

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