

*Volume 10, Issue 2, August 2013*

**DRAFTING OPTIONS FOR CONTRIBUTOR AGREEMENTS FOR  
FREE AND OPEN SOURCE SOFTWARE: ASSIGNMENT,  
(NON)EXCLUSIVE LICENCE AND LEGAL CONSEQUENCES.  
A COMPARATIVE ANALYSIS OF GERMAN AND US LAW**

*Tim Engelhardt*\*

**Abstract**

Free and Open Source Software (FOSS) has become so widespread that it is now used in virtually every type of device and is distributed in almost every market. Scores of FOSS projects offer their software and try to attract contributors and users. In this context, a key question that has become increasingly relevant is whether FOSS projects need to legally formalise the contribution process by using Contributor License Agreements or Contributor Assignment Agreements, and if so, how such agreements should be drafted. This paper focusses on three general drafting options – assignments, exclusive or non-exclusive licenses – and analyses each of these options' advantages and pitfalls. Given the global nature of FOSS, the paper adopts an international perspective by exploring two model jurisdictions that represent two contrasting legal systems and traditions: Germany, the drafter's home country, with its typical continental-European legal approach; and the United States of America, a common law jurisdiction and globally the leading software-developing country.

DOI: 10.2966/scrip.100213.149



© Tim Engelhardt 2013. This work is licensed under a [Creative Commons Licence](#). Please click on the link to read the terms and conditions.

---

\* Attorney at law, JBB Rechtsanwälte, and co-founder of the Humboldt Internet Law Clinic, Berlin, Germany. The author wishes to express his thanks to Dennis Jansen, a German lawyer and regular contributor at the Institute for Legal Questions of Free and Open Source Software (ifross.org), for his extremely helpful assistance in preparing this paper. His research abilities and willingness to consider and discuss even the most far-fetched ideas have been an invaluable help to the author. Any errors are, of course, the author's alone.

## 1. Introduction

Free and Open Source Software (FOSS) has become a mass phenomenon. FOSS software is used in virtually every type of device and is distributed in almost every market. Scores of FOSS projects of every size offer their software and try to attract contributors and users. Often FOSS developers wonder whether they need a special licence or assignment agreement for contributions submitted to them, and if so, what it should look like.

The necessity of such Contributor Licence Agreements (CLAs) or Contributor Assignment Agreements (CAAs) is far from being unchallenged. This paper will not attempt to address the policy-driven arguments that proponents and opponents of the use of CLA/CAAs have brought forward. Rather, based on the widespread use of CLA/CAAs, it is assumed that there is in fact a real need for these kinds of agreements. Thus this paper will look at how such agreements can be drafted in a way that best reflects the needs and intentions of the contributors and the recipients of their contributions.

One of the key decisions that any user of a CLA/CAA has to make is the choice as to what kind of rights the recipient should receive. Should she obtain all rights, title and interest in the copyright at issue, or would it be enough to provide a mere licence for the contribution? Are exclusive rights in any way beneficial, or would a nonexclusive grant be sufficient? What requirements must be met for each of these types of transactions and what are their respective consequences?

This paper is an attempt to explore a number of legal issues these questions touch upon. The hope is that this will be a starting point for further discussion of these topics that will eventually lead to a better understanding of CLA/CAAs and the options for drafting such agreements.

As CLA/CAAs are a global phenomenon and their use is seldom limited to one jurisdiction, it is the author's conviction that fully understanding CLA/CAAs requires an international perspective. Though a true comparative analysis would need to include various legal systems, for reasons of efficiency this paper has chosen to analyse two model jurisdictions that represent highly different legal systems and traditions: Germany, the drafter's home country, with its typical continental-European legal approach; and the United States of America, a common law jurisdiction and the world leader in software-development.

After a short introduction into general licensing models and the fundamental characteristics of the German and the US copyright systems,<sup>1</sup> this paper focuses on the following key issues: the effects of each of the above licensing options on the contributor's and the recipient's ability to grant FOSS licences; the ability to make further transfers of the rights linked to the contribution; the enforcement of the rights in the contribution; a contributor's options to enforce the terms of the CLA/CAA against the contribution recipient (such as the recipient's obligation to license the

---

<sup>1</sup> For a general overview on CLA/CAAs used by companies and FOSS projects, their purposes and typical provisions, see A Metzger, "Internationalisation of FOSS Contributory Copyright Assignments and Licenses: Jurisdiction-Specific or 'Unported'?", in this issue of *SCRIPTed*.

contribution on no other terms than on FOSS terms); and finally, the consequences regarding copyright formalities to be observed.

## 2. General Options for Copyright Transactions

### 2.1. Germany

In Germany, the copyright in a work is seen as a bundle of rights that is initially entirely owned by the original creator of the work, the author. German copyright law recognizes both economic and moral rights. Moral rights are, for example, the right of publication,<sup>2</sup> the right to be recognized as the author of the work<sup>3</sup> and the right to prohibit any distortion of the work.<sup>4</sup> For software the economic rights include the following: the right to reproduce the software; the right to translate, adapt, arrange or otherwise alter the software; the right to distribute the software; and the right to communicate the software to the public (s 69c of the *Copyright Act*).

German copyright tradition is built on the idea that economic and moral interests in a work are inseparably intertwined.<sup>5</sup> Both are seen as parts of one whole copyright. This has important consequences: The initial owner of the copyright in a work may only be a natural person, namely its actual creator, the author.<sup>6</sup> Moreover, neither the copyright itself nor any of the exclusive exploitation rights listed in the following

---

<sup>2</sup> Section 12 of the *Gesetz über Urheberrecht und verwandte Schutzrechte (Urheberrechtsgesetz)*, hereinafter referred to as (German) *Copyright Act*: “(1) The author has the right to determine whether and how his work shall be published.

(2) The author reserves the right to communicate or describe the content of his work to the public as long as neither the work nor the essential content or a description of the work has been published with his consent.”

<sup>3</sup> Section 13 of the *Copyright Act*: “The author has the right to be identified as the author of the work. He may determine whether the work shall bear a designation of authorship and which designation is to be used.”

<sup>4</sup> Section 14 of the *Copyright Act*: “The author has the right to prohibit the distortion or any other derogatory treatment of his work which is capable of prejudicing his legitimate intellectual or personal interests in the work.”

<sup>5</sup> See s 11 sentence 1 of the *Copyright Act*: “Copyright protects the author in his intellectual and personal relationships to the work and in respect of the use of the work.” This paper relies upon Ute Reusch’s translation of the German *Copyright Act* that is available at [http://www.gesetze-im-internet.de/englisch\\_urhg/index.html](http://www.gesetze-im-internet.de/englisch_urhg/index.html). However, that translation is not without flaws; in particular, it wrongly translates both *Verwertungsrechte* (s 15 ff) and *Nutzungsrechte* (s 31 ff) as “exploitation rights”. This practice blurs a crucial doctrinal distinction (“*Verwertungsrechte*” defines the entirety of the powers accorded to an author, whereas “*Nutzungsrechte*” describes the rights she may grant to others). This article has taken the liberty of correcting this mistranslation and will use the term “usage rights” for the rights contemplated by ss 31 ff.

<sup>6</sup> Consequently, employers may not hold original ownership of the works created by their employees. This is true for all types of works, including software. See s 69b para 1 of the *Copyright Act*, which deals with software created by employees. According to this provision, “[w]here a computer program is created by an employee in the execution of his duties or following the instructions of his employer, the employer exclusively shall be entitled to exercise all economic rights in the computer program, unless otherwise agreed” (emphasis added). The reference to the economic rights makes it clear that no original copyright ownership of the employer is intended.

paragraph may be assigned – that is, transferred in their entirety (s 29 para 1 of the *Copyright Act*).<sup>7</sup>

Instead of assignments, German law offers a number of ways an author or the owner of exclusive rights may authorize others to use and exploit a specific work: the granting of usage rights pursuant to s 31 of the *Copyright Act* and merely contractual agreements (see s 29 para 2 of the *Copyright Act*).

Usage rights are carved out from any of the exclusive exploitation rights, so to speak. They may be exclusive or nonexclusive (see s 31 para 2 and 3 of the *Copyright Act*). The main feature distinguishing usage rights from merely contractual rights is that the former continue to exist and be fully enforceable against everyone, even if usage rights are granted by the original licensor at a later point in time (s 33 sentence 1 of the *Copyright Act*).<sup>8</sup> In contrast, beneficiaries of merely contractual promises risk losing their legal ability to use the work at hand, once the original owner licenses the work otherwise. Thus, for the purposes of a CLA, it is not advisable to rely on mere contractual promises (such as a mere covenant not to sue).

The other categories to be distinguished are exclusive licences on the one hand and nonexclusive licences on the other.<sup>9</sup> They may be distinguished according to their effect on the future capability of the parties to the agreement and third parties to make further licence grants. In case of a nonexclusive licence, the licensor remains able to make future similar grants to others. If an exclusive licence is given, the licensee loses her ability to make any grants for the specific usage rights again. Even she may not normally make the specific form of use of the work anymore. However, German law permits the author to reserve the right to continue using the work in the way that is defined by the licence grant (s 31 para 2 sentence 2 of the *Copyright Act*).

Because a complete transfer of copyright ownership is impossible under German law, the parties to licence agreements who wish to achieve results at least close to a complete copyright assignment revert to grants of all-encompassing exclusive usage rights. In such a case, the original author retains certain moral rights and could object to certain uses on this basis, even if this is rather the exception than the rule. If a licence agreement includes an assignment, German courts will often – but not necessarily always – interpret this as an agreement on such an extensive grant of rights.

## 2.2. *United States*

US copyright law shares a number of common traits with German law. In particular, copyright in the US is also regarded as a bundle of rights. These rights are listed in 17

---

<sup>7</sup> Which reads in its English translation: “Copyright is not transferrable, unless it is transferred in execution of a testamentary disposition or to co-heirs as part of the partition of an estate.” The copyright in a work in its entirety may however, be bequeathed by will or passed by the laws of intestate succession (s 28 para 1 of the *Copyright Act*, reading: “Copyright shall be inheritable”).

<sup>8</sup> “Exclusive and nonexclusive usage rights shall remain effective with respect to usage rights granted later.”

<sup>9</sup> The term “licence” cannot be found in the German *Copyright Act*. However, as this term is widely used, especially in the English-speaking world, and even the German *Patent Act* speaks of nonexclusive and exclusive licences, this article uses it for German issues as well.

USC s 106: the right to reproduce, to distribute, to perform publicly, to display the copyrighted work and to prepare derivative works based upon the copyrighted work. Also, both exclusive and nonexclusive licences are recognized. However, as the focus of the US copyright approach is on economic interests, and moral rights play a minor, almost negligible role (in particular for software),<sup>10</sup> certain aspects have developed very differently. First, while in Germany only natural persons can be authors, original corporate ownership of works is possible under US copyright law.<sup>11</sup> Second, US copyright law permits transfers of the entire copyright in a work, not just of a bundle of rights with a remainder staying with the author. Such transfers are called assignments.

However, it should be noted that it is anything but clear what exactly an assignment is, and what differences there are between exclusive licences on the one hand and assignments on the other. The *US Copyright Act* does not provide for a definition of the term “assignment”. Instead it refers repeatedly to the term “transfer of ownership”,<sup>12</sup> which is defined in s 101 as follows:

A “transfer of copyright ownership” is an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.

Similarly, “copyright owner” is defined as follows:

“Copyright owner”, with respect to any one of the exclusive rights comprised in a copyright, refers to the owner of that particular right.  
(s 101)

This language leaves much room for interpretation. However, at least the following aspect seems to be settled: Only exclusive licences and assignments constitute copyright transfers; nonexclusive licences, by contrast, do not affect the ownership of the copyright. Moreover, the statutory language invites an interpretation according to which assignments and exclusive licences are not the same, albeit without explaining what the differences may be.

The US Supreme Court has provided – albeit in the patent law context – for a relatively useful definition of “assignment” that allows for a few more conclusions:

---

<sup>10</sup> One exception is visual artists’ right to claim ownership for their works (17 USC s 106A).

<sup>11</sup> This is the case when the requirements of the work made for hire doctrine, set out in 17 USC s 201 (b), 101 are met. On this note, for computer programs s 69b of the German *Copyright Act* provides that the economic rights to the work are initially vested in the employer by default; however, this is not a case of original ownership, as the employee is still regarded as the author of the software she has written.

<sup>12</sup> For example, in s 201 (d): “Transfer of Ownership: (1) The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession. (2) Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred as provided by clause (1) and owned separately. The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title.”

The patentee or his assigns may, by instrument in writing, assign, grant, and convey, either (1) the whole patent, comprising the exclusive right to make, use, and vend the invention throughout the United States; or (2) an undivided part or share of that exclusive right; or (3) the exclusive right under the patent within and throughout a specified part of the United States.... A transfer of either of these three kinds of interests is an assignment.... Any assignment or transfer, short of one of these, is a mere license, giving the licensee no title in the patent....<sup>13</sup>

Adapting this to the law on copyright, it seems that an assignment could either be the complete transfer of the entire copyright or the complete transfer of one or more of any of the exclusive rights listed in s 106. But as soon as only parts of such a statutorily pre-defined exclusive right are transmitted, no assignment is made; instead, we should speak of an exclusive licence, irrespective of the label the licensor and licensee may have used. Conversely, it appears that if an owner of the entire copyright in a work makes an unrestricted, unconditioned grant of all exclusive rights in that work, this should qualify as an assignment, even if the underlying agreement uses a different wording. As will be shown below, the consequences of the distinction between assignments and exclusive licences are limited.<sup>14</sup>

### 3. Consequences of the Choice of a Specific Agreement Type

The fundamental legal mechanism behind FOSS licensing is a simple one: The holder of the rights in a piece of software allows everyone complying with the terms of the FOSS license attached to the software to copy, distribute, modify, or use in any way that piece of software, provided that certain minimal requirements are met.<sup>15</sup> In many cases, it is the author herself who chooses the FOSS license and directly licenses the software to its users, thus becoming the licensor of every such user. In those cases, contribution agreements are obviously not needed.

The case will be different if the software is designed for a larger program or program package distributed by someone other than the author, usually a company or another entity. In such a case, the author may wish to contribute her software to that entity so that it can become part of the larger program or program package. If she does so, a legal relationship between contributor and the entity is created. If the contributor and the recipient choose to formalize their relationship, they enter into a contribution agreement, whose central provisions deal with the author's grant of certain rights to

---

<sup>13</sup> *Waterman v Mackenzie*, [1891] 138 US 252, at 255 (S Ct); the same definition also applied in *Vaupel Textilmaschinen KG v Meccanica Euro Italia SPA*, [1991] 944 F 2nd 870, at 873-74 (Fed Cir).

<sup>14</sup> They concern first of all the transferability (see 3.1.2.1. below). Also, the remedies the licensor may have against the licensee/assignee may be affected (see 3.4.2.2. below).

<sup>15</sup> In most cases the conditions include giving credit and displaying the license text and liability/warranty disclaimers (see, for example, the BSD or MIT licenses). Other conditions may be added, such as the obligation to release the source code of the software, possibly including any modifications, or putting any modifications under the original license, so called "copyleft". See for example ss 2 para 1 lit b) and 3 of the GNU General Public License, version 2 (GPLv2) or ss 5 para 1 lit c) and 6 of the GNU General Public License, version 3 (GPLv3).

the entity.<sup>16</sup> The design of these provisions has important implications. For example, it may have an impact on aspects like the enforcement of copyrights against third parties, remedies for breach of the contribution agreement, and copyright formalities. The following section will discuss how choosing fundamental options for designing the grant of rights (assignment, exclusive license, nonexclusive license) affects these and other issues.

### **3.1. Recipient's Ability to Grant (FOSS) Licences**

Any CLA/CAA in a FOSS environment must capacitate the licensee/grantee to make the contribution available under (a) FOSS licence(s).<sup>17</sup> The licensee thus needs to have the power to license the contribution to an unlimited number of (sub)licensees, and the (sub)licences may not (apart from prescribed limits to outbound licensing which may be included in the agreement) be limited in terms of time, geographical scope or permitted forms of use. Therefore, we will take a deeper look into how this can be achieved and whether or not there are pitfalls when using a certain kind of licensing.

#### *3.1.1. Germany*

##### **3.1.1.1. Principles**

###### a) Exclusive licenses

According to the German *Copyright Act*, exclusive licences can be transferable and sublicensable.<sup>18</sup> However, the transfer or sublicensing of exclusive licenses requires the author's consent (s 34 para 1 sentence 1, 35 para 1 sentence 1 of the *Copyright Act*).<sup>19</sup> This therefore means that without such consent, licences cannot be transferred or sublicensed to third parties. Consent can be given any time, before or after the (attempted) transfer.<sup>20</sup> Moreover, it is not necessary that the consent be given to

---

<sup>16</sup> Another option is that the author makes the contribution subject to a FOSS license so that the entity becomes a FOSS licensee of the author just like any other user of the authors software.

<sup>17</sup> The licence/assignment from the contributor to the recipient is also called an "inbound licence", whereas the licence from the recipient to the users of software is known as an "outbound licence".

<sup>18</sup> We distinguish between *transfers* and *sublicenses*. The former refers to transactions, which replace the original licensee with another, with the consequence that the original licensee ceases to have any usage rights. The latter term describes situations where the sublicensee receives the same permissions as the licensee/sublicensor (or at least a part of them), and the latter does not lose her own usage rights.

<sup>19</sup> For transfers s 34 para 1 sentence 1 of the *Copyright Act* provides: "An usage right may only be transferred with the author's consent." The right to sublicense exclusive licenses can be derived from s 35 para 1 sentence 1 of the *Copyright Act*: "The holder of an exclusive usage right may grant further usage rights only with the consent of the author."

<sup>20</sup> G Schricker and U Loewenheim in G Schricker and U Loewenheim (eds), *Urheberrecht, Kommentar*, 4th ed (Munich: C.H. Beck, 2010) s 34, N° 30; JB Nordemann in W Nordemann, A Nordemann and JB Nordemann (eds), *Urheberrecht, Kommentar zum Urheberrechtsgesetz, Verlagsgesetz, Urheberrechtswahrnehmungsgesetz*, 10th ed (Stuttgart: W Kohlhammer, 2008), s 34, N° 12, 16, s 35, N° 9. Technically speaking, licensor and licensee may also agree on a waiver of the consent requirement (ss 34 para 5 sentence 2, 35 para 2); however, given that from a practical

specific transfers; rather, it is sufficient that the author gives general permission for any transfers.<sup>21</sup>

#### b) Nonexclusive Licenses

Just as for exclusive licenses, nonexclusive licenses may be transferred to others as long as the author's consent is secured (s 34 para 1 sentence 1 of the *Copyright Act*).

The matter, however, is slightly more complicated with regard to the ability to grant sublicenses. Other than s 34 discussed above, the scope of s 35 para 1 sentence 1 of the *Copyright Act*, which deals with sublicenses, is limited to exclusive rights, thereby seemingly excluding nonexclusive licences. The traditional, and still prevailing, view concludes that the holders of nonexclusive licences may not sublicense their rights, even if the author agrees.<sup>22</sup> Others however, argue that just like exclusive rights, nonexclusive rights are property rights and consequently should also be able to be split by granting subrights.<sup>23</sup> The latter view appears to be better aligned with three recent decisions of the German Federal Court of Justice confirming that nonexclusive licences generally survive if the main licence lapses,<sup>24</sup> and it would thus not come as a surprise if this approach gains a stronger following in the future. However, CLAs, as any other legally binding agreement, require a reasonable degree of legal certainty and predictability, and therefore the safer drafting option should be chosen. Thus, at first glance it does not appear feasible to use nonexclusive licences in FOSS-oriented CLAs, as there would be the risk that any sublicensing attempt would fail under German law.

Nevertheless, there is a way to use nonexclusive licences and still accord to the licensee the ability to provide third parties with the required usage rights. Instead of simply marking a nonexclusive licence as "sublicensable", an alternative is to make a grant of an unlimited number of transferable nonexclusive licences. These licences could then later be transferred to a potentially unlimited number of "sublicensees", or better, "subtransferees".

Based on the the above analysis, the question that still needs to be answered is how a CLA should best reflect this. In this author's opinion, using the word "sublicensable" in a CLA could in many circumstances indeed lead to the conclusion that the drafters' intention was to include transfers of an unlimited number of licences. However, it appears risky to rely on this interpretation alone. Rather, it would be more reasonable to clarify the matter in the agreement language. One way to do so would be to classify the rights granted as "sublicensable" in order to cover this licensing mechanism, and then to further spell out that position by using language specifying that the grant of an unlimited number of transferable nonexclusive rights is intended to be covered.

---

perspective there is no difference between such a waiver and giving broad consent, for the purposes of this paper this distinction can be ignored.

<sup>21</sup> JB Nordemann (see note 20 above), s 34, N° 12.

<sup>22</sup> G Schricker and U Loewenheim (see note 20 above), s 35, N° 2; U Loewenheim and JB Nordemann in U Loewenheim (ed), *Handbuch des Urheberrechts*, 2nd ed (Munich: C.H. Beck, 2010), s 25, N° 9.

<sup>23</sup> JB Nordemann (see note 20 above) s 35, N° 5; G Schulze in T Dreier and G Schulze (eds), *Urheberrechtsgesetz, Urheberrechtswahrnehmungsgesetz, Kunsturhebergesetz, Kommentar*, 3rd ed (Munich: C.H. Beck, 2008), s 35, N° 5.

<sup>24</sup> German Bundesgerichtshof (Federal Court of Justice), *Reifen Progressiv*, [2009] GRUR, 946; *M2Trade*, [2012] GRUR, 916 – *M2Trade*, and *Take Five*, [2012] GRUR, 914.



### **3.1.1.2. Change of Outbound Licence**

Project guardians sometimes reach a point where the change of the outbound licence seems desirable or even necessary for a meaningful existence of the project (for example, because other projects change their licence, thereby causing licence compatibility problems). If the parties to a CLA think that this might become an issue in the future, they should consider giving the contribution recipient a certain degree of freedom in the choice of the outbound licence. The CLA could for this purpose contain language listing acceptable outbound licences or providing for certain criteria any outbound licence must meet.<sup>25</sup> This approach could be taken regardless of the licence form used in the CLA.

### **3.1.1.3. Consequences for Contributor**

Licensing her work may also affect a contributor's ability to authorize third parties to use and exploit her work.

#### a) Exclusive Licence

Once the contributor has provided the recipient with an exclusive licence, she loses all her power to license her contribution to other people or entities. This loss of power is limited to the scope of the exclusive rights granted to the initial recipient. However, in the context of FOSS-oriented CLAs, this aspect cannot broaden the scope of the contributor's remaining power, as the recipient will need all-encompassing licence rights so that there will be no room for any further licensing activities on the contributor's part.

#### b) Nonexclusive Licence

If the contributor agreed only to granting nonexclusive rights, she retains her ability to make additional grants of nonexclusive or exclusive licences to third parties.

## *3.1.2. United States*

### **3.1.2.1. Principles**

#### a) Assignment

Assignments equal full ownership. Assignees may therefore freely grant a sublicense or make further assignments.

#### b) Exclusive Licence

At first glance, USC 17 s 201(d) seems to provide most, if not all, answers regarding the ability of recipients of exclusive licences to provide third parties with rights under the copyright at issue:

(1) The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession.

---

<sup>25</sup> See, for example, s 2.3 of the current Harmony License/Assignment Agreements v1.0, available at <http://harmonyagreements.org/agreements.html>.

(2) Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred as provided by clause (1) and owned separately. The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title.

As shown above, copyright ownership includes ownership of exclusive rights. So reading s 201(d), one might think any exclusive licensee may make any transaction to provide third parties with rights to make use of the work at issue. However, the 9<sup>th</sup> circuit disagreed in *Gardner v Nike, Inc.* (henceforth *Gardner*), holding that exclusive licensees need the licensor's consent for sublicensing or reassigning the licence.<sup>26</sup> This decision came under heavy fire,<sup>27</sup> but it is still good law and needs to be taken into consideration when drafting and interpreting licence agreements.

Be this as it may, from a practical angle, *Gardner's* impact on CLAs' capacity to provide the contribution recipient with the necessary rights to make FOSS licensing possible is limited: After all, *Gardner* did not ban any transactions by the licensee, but merely made them dependent on the licensor's consent. And such consent can be given in advance and does not need to refer to specific transactions; rather, it is sufficient to give general permission for further transfers or licences. Consequently, the consent may be included in the express CLA language.

#### c) Nonexclusive Licence

The question whether nonexclusive licences (may) procure the right to either grant sublicences (in which case the sublicensor keeps her own licence and provides the sublicensee with an additional sublicense) or transfer that licence (in which case the sublicensor gives up any licence rights by transmitting them) to a third party, and how this can be justified from a doctrinal perspective, is far from being settled. Interestingly, business and legal practitioners do not seem to worry too much about that and frequently label nonexclusive licences as "sublicensable" and/or "transferable".<sup>28</sup> However, case law does not provide much guidance on these questions.

In *Michaels v Internet Entertainment Group, Inc.*, the District Court for the Central District of California held that nonexclusive licences may be transferred with the licensor's permission to do so: "IEG is correct in asserting that copyright owners and their licensees can contract around the nontransferability of licences."<sup>29</sup> Thus, the parties to an agreement on a nonexclusive licence may arrange that the licence can be transferred to others. However, the court was silent about whether the licensee may grant a sublicence, understood as meaning that the sublicensee receives the same permissions as the licensee/sublicensor, without the latter losing her own usage rights.

---

<sup>26</sup> *Gardner v Nike, Inc.*, [2002] 279 F 3rd 774 (9th Cir).

<sup>27</sup> Kate Williams, "Gardner v Nike", (2003) 18 *Berkeley Tech LJ* 371-391, at 390; 3-10 MB Nimmer and D Nimmer, *Nimmer on Copyright* s 10.02[B][4][b].

<sup>28</sup> See, for example, s 2.1(b) of the Harmony Contributor License Agreements v1.0 and s 2 of the Apache Software Foundation Individual Contributor License Agreement v2.0.

<sup>29</sup> *Michaels v Internet Entm't Group, Inc.*, [1998] 5 F Supp 2nd 823, at 834 (CD Cal).

As nonexclusive licences are understood as mere contractual rights,<sup>30</sup> the question may arise how such rights may be transferred or sublicensed to third parties. How can the owner's undertaking expand to others? Does this require an (implied) power of attorney? Does the sublicensee become a party to an agreement with the head licensor?<sup>31</sup> This is not the place to analyse these questions any further. What we need to take with us is that nonexclusive licences may – with the owner's permission – be transferred to others. It also appears to be likely that the same is true for sublicences.

To summarize, none of the ways to provide the recipient with rights to exploit a work bars the recipient, as a matter of principle, from sublicensing or reconveying the rights received. However, for licences – both nonexclusive and exclusive – to be sublicensable/transferable, the original owner must have given her consent. By contrast, assignments are transferable and licensable at the recipient's will; after all, they procure for her exactly the legal position the original owner had before the transaction took place. In practice, this difference can easily be overcome, as the permission required for allowing sublicences or further transfers can be given as part of the licence agreement.

### **3.1.2.2. Change of Outbound Licence**

The same reasoning applies as under German law.<sup>32</sup> However, regarding assignments, one needs to consider that they put the assignee in exactly the same shoes as the assignor had before she transferred her rights. In other words, an assignee has by default every freedom to do whatever she wishes with the assigned copyright.

This raises the question whether limiting an assignee's options for further licence grants/transfers affects the qualification of a grant as an assignment. After all, it could be argued that the assignee has not gained complete control over the copyright received as long as she is still bound by certain restrictions.

It is well possible that the solution may lie in the distinction between conditions and covenants, which is discussed further below.<sup>33</sup> When the restriction is made by way of a mere contractual covenant, it could be argued that the assignment as such remains untouched; when on the other hand the assignment agreement is made in a way that the restriction must be deemed a condition of the transaction, it appears possible that no assignment is made, but a mere broad exclusive licence granted.

The practical effect of this distinction is generally limited; however, the remedies a contributor may have in case the recipient fails to comply with CAA conditions, in particular regarding the permitted outbound licences, may differ. While the violation

---

<sup>30</sup> The copyright owner's undertaking that she will not sue the licensee for infringement if the latter stays within the scope of the permitted acts, 3-10 MB Nimmer and D Nimmer (see note 27 above), s 10.02[B][4][a]; *In re Patient Education Media, Inc*, 210 BR 237 (Bankr SDNY 1997); see also with an extensive analysis of the relationship between state and federal law, which leads to partly different outcomes, AX Fellmeth, "Control without Interest: State Law of Assignment, Federal Preemption, and the Intellectual Property License", (2001) 6 *Va JL & Tech* 8-85, at 70.

<sup>31</sup> See from the English law perspective *VLM Holdings Ltd v Ravensworth Digital Services, Ltd*, [2013] EWHC 228 (Ch), where the High Court of Justice applied the principles of agency to a sublicense.

<sup>32</sup> See 3.1.1.2 above.

<sup>33</sup> 3.4.2.1.

of mere contractual promises gives cause to remedies for breach of contract only, the violation of a condition can give rise to remedies under copyright law.<sup>34</sup>

### ***3.1.2.3. Consequences for the Contributor***

Regarding the effects of different forms of licences or assignments on the contributor's ability to authorize third parties to use and exploit her work, largely the same rules apply as under German law:<sup>35</sup> Once the contributor has provided the recipient with an assignment or exclusive licence, she loses all her power to license her contribution to other people or entities – in the case of licences limited to the scope of the exclusive rights granted to the initial recipient. If the contributor agreed only to grant nonexclusive rights, she retains her ability to make additional grants to third parties.

### *3.1.3. Summary*

Both in Germany and in the US, the stronger the rights the recipient obtains, the safer her position as a licensor of FOSS licences. Assignments in the US and exclusive licences in both countries are reliable options for enabling FOSS licensing by the contribution recipient. For exclusive licences, CLAs should contain language that expressly permits FOSS sublicensing. Nonexclusive licences probably work, too – the legal practice in both countries points that way – but there is still some degree of uncertainty as to their ability to be sublicensed. Transfers of nonexclusive licences seem to be accepted in both jurisdictions.

## ***3.2. Ability to Transfer Rights to Other Entities***

In the life of a FOSS project, the day may come where the project guardian decides to stop working on the project. In CLA/CAAs, this aspect is often overlooked, but a drafter of a CLA/CAA should not turn a blind eye to this fact, and would be well advised to consider whether and how to address this situation. In particular, a decision must be made regarding whether or not the contribution recipient should be allowed to transfer the rights obtained to another entity. On the one hand, contributors will in many cases have chosen the original recipient for specific reasons so that a further transfer would contravene their intentions and legitimate interests. On the other hand, giving contributors the right to reclaim their grants could entail the risk of a fragmentation of the code base, thus endangering the survival of bigger software projects with central guarding entities.

How to approach to these issues will largely depend on the character of each software project and the actual interests and wishes affected. It remains beyond the scope of this article to foresee and discuss every conceivable situation in this regard. Instead, in line with the general topic of this paper, we focus on the overarching issue of whether the character of the grant has any impact on the ability of the parties to allow or bar further transfers.

---

<sup>34</sup> See 3.5.2. below.

<sup>35</sup> See 3.1.1.3. above.

### 3.2.1. *Germany*

To start with, if the CLA contains a clause according to which the licences granted are transferable, without providing for any limits, a complete transfer is – within the limits set by the law, such as the owner’s consent, as discussed above – perfectly possible. Conversely, if the licence clause is silent as to the transferability of the rights granted, one cannot assume that the rights may be conveyed to third parties: On the contrary, s 34 of the *Copyright Act* would support a *prima facie* interpretation according to which no transfer is permitted. However, specific circumstances could in certain cases justify assuming that the parties impliedly agreed to the transferability of the licence. In order to avoid such and any other uncertainty regarding the right to transfer the licence, it is highly advisable to use unequivocal language, such as “transferable” or “nontransferable”. All the foregoing is true for any kind of licence.

A black and white solution as described above may, however, not always best serve the interests of the stakeholders involved. There may be manifold motivations for restricting the transferability of a licence to certain pre-defined cases. One reason may be that the contributors wish to limit the transfer of the licence to cases where it is evident that the recipient will not continue to be in business or cease to exist. One could also think of additional restrictions, for example, by naming specific third-party recipients or listing special conditions such recipients must meet. Another – and even more important – constraint widely found in FOSS-oriented CLAs is to require that the contribution recipient only license the contribution on certain – often FOSS – terms.<sup>36</sup>

### 3.2.2. *United States*

For US cases, similar considerations apply. If it is desired that the recipient of a licence may transfer the rights granted, the CLAs should clearly state that and define the conditions of such a transfer. Rights obtained through assignments are automatically transferable.<sup>37</sup>

## 3.3. *Enforcement of Copyrights against Third Parties*

### 3.3.1. *Introduction*

Both the contributor and the contribution recipient will normally be concerned about third parties using the software without conforming to the applicable FOSS licence. In most cases, the recipients of code contributions will want to have the ability to pursue claims for infringement of copyrights in the code contribution, should third parties make use of that contribution without having a valid licence. But on the other hand, the contributor herself may have a strong interest in enforcing the copyright in her contributions and might not be willing to rely exclusively on the contribution

---

<sup>36</sup> See s 2.3 of the Harmony Contributor License/Assignment Agreements. Regarding contributor’s remedies under German law in case of the recipient’s failure to comply with such conditions, see 3.4.1 below.

<sup>37</sup> For the contributor’s remedies under US law in case of the recipient’s failure to comply with such conditions, see 3.4.2 below. Assignments that are combined with conditions pose some specific unresolved legal problems, see 3.4.2.2 below.

recipient. As experience has shown, not every company, foundation or other project leader, facing unauthorized use of their software will wish to take an approach of strict copyright enforcement, most of the time for good reasons.<sup>38</sup>

In the following, we will take a closer look at the circumstances establishing the contributor's or the recipient's position to assert copyright-based claims (so called standing). Following immediately after is an analysis of the dependency of the available remedies on the character of the grant of rights under the contribution agreement.

### 3.3.2. *Standing*

Proponents of the use of contribution agreements often argue that the accumulation of rights in all contributions in the recipient's hand renders the fight against infringers easier and more efficient. However, this may only be true if through the contribution agreement the recipient obtains sufficient rights that procure her standing to sue.

#### 3.3.2.1. *Germany*

##### a) Recipient of Contribution

**Exclusive license.** In Germany, as a general rule, the holder of an exclusive right may take action against infringers.<sup>39</sup> This may be the author herself or any exclusive licensee. In other words, if the contribution recipient holds an exclusive licence, she may use this licence to go after infringers of the rights in the contributed code.

However, holding just one kind of an exclusive right or a subdivision of such a right does not entitle the licensee to sue infringers of other kinds/subdivisions of exclusive rights. For example, the holder of the exclusive right to make a certain work publicly available is not in the position to enforce any rights against someone who sells physical copies of that work. In other words, licensees are limited to the enforcement of the precise exclusive right they hold.<sup>40</sup> Since CLAs will almost always convey a complete unrestricted set of rights in order to enable FOSS licensing, there is no need to further explore this aspect of licensing in this paper.

**Nonexclusive license.** Holders of nonexclusive rights, by contrast, normally have no standing to sue. But with the "*gewillkürte Prozessstandschaft*", German principles of civil procedure also recognize a concept according to which persons not owning a right – for example, an exclusive right in a copyright – may however rely on that specific right for suing third parties if the following conditions are met:<sup>41</sup> First, the

---

<sup>38</sup> For example, it is the official policy of the Free Software Foundation to revert to lawsuits only as the last option. See B Smith, "GPL Enforcement in Apple's App Store" (25 May 2010), <http://www.fsf.org/news/2010-05-app-store-compliance>: "In most ways, this is a typical enforcement action for the FSF: we want to resolve this situation as amicably as possible. We have not sued Apple, nor have we sent them any legal demand that they remove the programs from the App Store."

<sup>39</sup> G Wild in G Schrickler and U Loewenheim (eds), *Urheberrecht, Kommentar*, 4<sup>th</sup> ed. (Munich: C.H. Beck, 2010), s 97 N° 48.

<sup>40</sup> T Dreier in T Dreier and G Schulze (eds), *Urheberrechtsgesetz, Urheberrechtswahrnehmungsgesetz, Kunsturhebergesetz, Kommentar*, 3rd ed (Munich: C.H. Beck, 2008), s 97, N° 19.

<sup>41</sup> It is noteworthy that in Germany, the rules of civil procedure are unified federal rules that apply not only in all German state and federal courts, but also throughout different subject areas of law, such as contract and copyright law.

actual owner of the right – here, the licensor – must have authorized the legal action. Second, the suing party (the licensee) must show that she has her own legitimate interest meriting protection (“*schutzwürdiges Interesse*”) in pursuing claims on her own.<sup>42</sup>

When using contribution agreements, the first condition can easily be met, as the authorization may be given either before or after legal proceedings are begun,<sup>43</sup> and it is not required that the authorization be given for specific cases.

German courts have also proved generous when it comes to recognizing an interest meriting protection. According to the Federal Court of Justice, a person will be considered to have her own interest in a case that merits protection if the court decision may influence her own legal position.<sup>44</sup> The courts have also affirmed that a mere economic interest is enough to meet this threshold.<sup>45</sup> Thus German courts have held that having a nonexclusive right to use a work is a sufficient basis for an interest meriting protection.<sup>46</sup>

As a consequence, from a German perspective it would be perfectly possible to limit the scope of the grant of rights in a CLA to nonexclusive rights while still enabling the licensee to protect herself against unauthorized users. The only step that would need to be taken is to have a CLA clause expressly permitting that the licensee enforce the copyright in the software at issue. The authorization could even be given later, once the licensee discovers certain infringements and wishes to proceed against them. However, there is one important twist: If relying on a *Prozessstandschaft*, the recipient may not ask for the payment of damages to herself, but only to the actual owner of the infringed exclusive rights.<sup>47</sup>

As an alternative, would it be possible to assign mere claims (such as damages, information claims or claims to enjoin others from infringing – “*Unterlassungsanspruch*”) in addition to making a nonexclusive grant of rights? Could this be another option for benefitting from the advantages of nonexclusive licensing (especially its acceptance among developers) while putting the contribution recipient in the position to take action against infringements of the copyright in the contribution? In the author’s opinion, this is for practical reasons not likely. While this approach could work for damages claims, other claims such as the *Unterlassungsanspruch* may not be transferred. Any attempt to do so is either void or may be regarded as establishing a *Prozessstandschaft*. Thus, as to the all-important aspect of injunctive relief, nothing would be gained compared to the approach described in the preceding paragraphs.

---

<sup>42</sup> German Bundesgerichtshof, [2009] NJW 1213.

<sup>43</sup> R Bork in F Stein and M Jonas, *Kommentar zur Zivilprozessordnung*, 22nd ed (Tübingen: Mohr Siebeck, 2004), 2, before s 50 ZPO, N° 62.

<sup>44</sup> German Bundesgerichtshof, [1988] NJW-RR 126, 127; see also M Vollkommer in Zöller, *Zivilprozessordnung, Kommentar*, 29th ed (Cologne: Dr. Otto Schmidt, 2012), before s 50, N° 44 (with further references).

<sup>45</sup> German Bundesgerichtshof, *Universitätsblem*, [1993] GRUR 151.

<sup>46</sup> Oberlandesgericht Munich (Higher Regional Court of Munich), [1997] ZUM 388; German Bundesgerichtshof, *Stühle und Tische*, [1981] GRUR 652.

<sup>47</sup> JB Nordemann (see note 20 above), s 97, N° 138.

Moreover, as will be demonstrated below,<sup>48</sup> US law has no equivalent to the German *Prozessstandschaft* and does not accept assignments of copyright infringement claims without transferring the related exclusive rights. From a practical perspective, merely granting nonexclusive rights while authorizing the licensee to sue infringers can therefore not be a viable approach for CLAs if the recipient's legal capacity to enforce the copyright in the contribution matters to the parties.

#### b) Contributor

In order to assess whether and in what cases contributors may enforce rights based on the copyright in the contribution, we need to look at how a licence grant to the recipient of the contribution affects the contributor's standing to sue.

**Exclusive license.** One important consequence of a grant of an exclusive license is that the licensor loses her ability to use the work insofar as this touches upon the exclusive rights granted (unless the parties agreed to a back-licence, see s 31 para 3 sentence 2 of the *Copyright Act*).<sup>49</sup> However, this does not necessarily mean that the licensor ceases to be able to pursue certain infringement claims against third-party infringers. For example, even after granting an exclusive licence, she may sue on the basis of infringements of economic rights, provided she has a so-called legitimate interest in proceeding against the infringer.<sup>50</sup> Courts have recognized that such an interest exists, in particular when the licensor receives royalties from her licensee,<sup>51</sup> even if no detriment to the incoming royalties can be shown.<sup>52</sup> However, this parameter will normally not be of any significant importance for contribution agreements as discussed herein, as they usually do not provide for royalty payments.

It should be noted that the above principles apply not only when the original authors make an exclusive licence grant but also when the licensor herself is the holder of exclusive rights rather than the entire copyright.<sup>53</sup> This is particularly important for companies making contributions, as they may only own exclusive usage rights but may not be original authors.<sup>54</sup> Courts have recognized those standards both for claims for damages and requests for injunctions.<sup>55</sup>

---

<sup>48</sup> 3.2.2.1.

<sup>49</sup> G Wild (see note 39 above), N° 48.

<sup>50</sup> JB Nordemann (see note 20 above), s 97, N° 128.

<sup>51</sup> German Bundesgerichtshof, *ALF*, [1992] GRUR 697, at 698 f.

<sup>52</sup> German Bundesgerichtshof, *Laras Tochter*, [1999] GRUR 984, at 985. An indirect damage is not sufficient, however; for example, holding shares in the company that has received the exclusive licence is not deemed sufficient.

<sup>53</sup> See German Bundesgerichtshof, *ALF*, [1992] GRUR 697, at 698 f; *Laras Tochter*, [1999] GRUR 984, 985, both on the standing of holders of exclusive rights. Oberlandesgericht Munich, *Hundertwasser-Haus*, [2005] GRUR 1038, at 1040, by contrast, was on the original author's right to sue after he had transferred comprehensive exclusive rights.

<sup>54</sup> See 2.1 above.

<sup>55</sup> German Bundesgerichtshof, *ALF*, [1992] GRUR 697, at 698 f. Note that court's approach was broad, seemingly encompassing both s 97 para 1 and 2, but the case itself was only about claims under s 97 para 1. German Bundesgerichtshof, *Laras Tochter*, [1999] GRUR, 984, at 988 then applied the same principles to both cease and desist and damages claims.



Apart from that, authors remain able to found claims on their inalienable moral rights, even after granting comprehensive exclusive licences.

**Nonexclusive license.** By contrast, nonexclusive licensing has no effect on an author or exclusive right holder's standing. Likewise, an author or holder of the exclusive right remains permitted to use her work. This means that a contributor limiting her grant to a nonexclusive licence remains able to bring claims for copyright infringement. One exception to this rule exists, however: Once the licensor has agreed to the licensee suing infringers and the licensee has commenced legal action, the licensor is barred from going to court in the same matter.<sup>56</sup>

#### c) Conclusion under German Law

Normally, only exclusive licensees have standing to sue for copyright infringement. Once a contributor has granted such a licence, she may not sue for infringement of the rights covered by that licence. However, German procedural and copyright law permits nonexclusive licensees to sue infringers based on the rights of the actual owner of the exclusive rights, provided that the latter has given her consent.

### 3.3.2.2. *United States*

The situation in the US is in large parts similar, with a few important exceptions.

#### a) Recipient of the Contribution

**Assignment and exclusive license.** The core provision determining who may assert claims for infringement in court is 17 USC s 501(b), whose first sentence reads:

(b) The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of section 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it.

Only legal or beneficial owners of an exclusive right are thus entitled to bring a copyright infringement action. This leaves us to determine the meaning of (1) "legal owner" and (2) "beneficial owner".

The definition of a legal owner can be derived from 17 USC s 101, which contains, amongst others, a definition of the legal term "copyright owner". According to that definition, "Copyright owner", with respect to any one of the exclusive rights comprised in a copyright, refers to the owner of that particular right."

In other words, only persons owning *exclusive* rights can be deemed legal owners with respect to that specific right. Legal owners are thus the original authors, assignees and exclusive licensees.

---

<sup>56</sup> See German Bundesgerichtshof, [2002] NJW-RR 20, at 22.

By contrast, a beneficial owner is a former owner with a continued interest in the property.<sup>57</sup> For example, this can be “an author who had parted with legal title to the copyright in exchange for percentage royalties based on sales or licence fees.”<sup>58</sup> She might be someone for whom someone else holds a copyright in trust.<sup>59</sup> Someone who created a work for hire may not be a beneficial owner, even if she and her employer have agreed on terms that require negotiations for new uses of the work.<sup>60</sup>

**Nonexclusive license.** From the clear statutory language of 17 USC s 501(b), it can also be concluded that holders of mere nonexclusive licences may generally not sue copyright infringers. Hence, anyone merely holding a nonexclusive copyright licence should, according to the act’s express language, have no standing to sue infringers.<sup>61</sup> The courts have confirmed this view.<sup>62</sup>

Moreover, according to *Eden Toys, Inc v Florelee Undergarment Co, Inc*, authors or owners of exclusive rights are not able to authorize nonexclusive licensees to bring a case and thereby create standing on their part.<sup>63</sup>

Finally, a brief look at one last – as thus far theoretical – option for providing a nonexclusive licensee with standing: The owner of the exclusive right infringed could assign “all right, title, and interest in and to any claims and causes of actions”, or more simply, she could assign her already existing claims for infringement (while the assignor retains ownership of the underlying copyright). However, this construction was also rejected in court. The Court of Appeals for the Ninth Circuit held in *Silvers v Sony Pictures Entm't, Inc* that the assignee in such a case was simply not “the legal or

---

<sup>57</sup> RD Blair and TF Cotter, “The Elusive Logic of Standing Doctrine in Intellectual Property Law” (2000) 74 *Tul L Rev* 1323-1369.

<sup>58</sup> HR Rep No 1476, HR REP 94-1476, 159, 1976 USCCAN 5659, 5775; *Silvers v Sony Pictures Entm't, Inc*, [2005] 402 F 3rd 881, at 886 (9th Cir).

<sup>59</sup> 3-10 MB Nimmer and D Nimmer (see note 27 above), s 12.02[C] at 12-57; RD Blair and TF Cotter (see note 57 above).

<sup>60</sup> “Transferring economic rights not amounting to legal title in any exclusive right under the copyright...will not confer beneficial ownership on the employee.” *Moran v London Records, Ltd*, [1987] 827 F 2nd 180, at 183 (7th Cir).

<sup>61</sup> See the definition of “transfer of ownership”, which confirms that from receiving a nonexclusive licence, no ownership may be derived: “A ‘transfer of copyright ownership’ is an assignment, mortgage, exclusive licence, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license” (17 USC s 101, emphasis added). The registration requirement for bringing an action for infringing copyrights to US works (17 USC s 411(a)) or for obtaining statutory damages (17 USC s 412) is another aspect that strongly supports this view. Registration can only be done by copyright owners or the owners of any exclusive right (17 USC s 408(a)). Therefore, if a mere nonexclusive licence is granted to the contribution recipient, no registration may be made to the recipient’s benefit. Consequently, nonexclusive licensees – lacking registration – may not sue for infringement of US works or obtain statutory damages.

<sup>62</sup> *Eden Toys, Inc v Florelee Undergarment Co, Inc*, [1982] 697 F 2nd 27, at 32 at footnote 3 (2nd Cir); *Sybersound Records, Inc v UAV Corp*, [2008] 517 F 3rd 1137, at 1144 (9th Cir); see 3-10 MB Nimmer and D Nimmer (see note 27 above), s 10.02[B][1] and 6 W Patry on Copyright, vol. 6, s 21:13.

<sup>63</sup> “We do not believe that the Copyright Act permits holders of rights under copyrights to choose third parties to bring suits on their behalf. While F.R.Civ.P. 17(a) ordinarily permits the real party in interest to ratify a suit brought by another party...the Copyright Law is quite specific in stating that only the ‘owner of an exclusive right under a copyright’ may bring suit.” *Eden Toys, Inc v Florelee Undergarment Co, Inc*, [1982] 697 F.2d 27, 32 at n 3 (2nd Cir).

beneficial owner of an exclusive right” so that any infringement by third parties would be committed while she owned no rights under the *Copyright Act*.<sup>64 65</sup>

#### b) Contributor

The principles above also define quite clearly in what circumstances contributors may retain their right to sue infringers of the copyright to the work they contribute.

**Assignment and exclusive license.** If a contributor grants an exclusive licence or assigns her entire copyright, she usually loses her ability to bring an action for copyright infringement. This can only be different if she retains an interest in the exclusive rights concerned and can therefore be seen as a beneficial owner.

**Nonexclusive license.** Granting a nonexclusive licence, by contrast, has no impact on a licensor’s initial position as a copyright owner. She hence continues to have standing.

#### c) Conclusion under US Law

To summarize: A nonexclusive licence is no basis for bringing an action to court. An exclusive licensee may only bring claims for violation of her exact exclusive rights while she was holding them.<sup>66</sup> Assignees may institute legal proceedings against infringers of any of the exclusive rights contained in the copyright in a work.

Thus, if the aim of using a CLA/CAA is to enable the recipient to pursue claims against copyright infringers, the rights granted through the CLA/CAA should be exclusive. The CLA/CAA should therefore contain language according to which the recipient receives an exclusive licence or an assignment of the copyright.<sup>67</sup>

### 3.3.3. Remedies

Having established general standing to sue, the next question to be answered is what kind of remedies can be obtained against infringers of the copyright in the contribution, either by the contributor or by the recipient. Again, this is not the place to provide for an exhaustive analysis and description of copyright infringement remedies. Instead, we will focus on the impact selecting certain types of licensing may have on the available remedies.

---

<sup>64</sup> *Silvers v Sony Pictures Entm't, Inc*, [2005] (en banc 7:4) 402 F 3rd 881, 883 (9th Cir): “May an assignee who holds an accrued claim for copyright infringement, but who has no legal or beneficial interest in the copyright itself, institute an action for infringement?...we answer that question ‘no’.”

<sup>65</sup> The situation is slightly different when the original owner makes an exclusive licence grant or assigns her copyright as such and along with the licence/assignment assigns claims of past infringement. See *ABKCO Music, Inc v Harrisongs Music, Ltd*, [1991] 944 F 2nd 971, 981 (2nd Cir), cited with affirmation in footnote 1 by *Silvers v Sony Pictures Entm't, Inc*, [2005] 402 F 3rd 881, 890 (9th Cir).

<sup>66</sup> She also has standing insofar as past accrued claims have been transferred along and congruent with the exclusive rights. See *ABKCO Music, Inc v Harrisongs Music, Ltd*, [1991] 944 F 2nd 971, at 981 (2nd Cir).

<sup>67</sup> If it is desired to concentrate the enforcement of claims even for past infringements, an assignment of claims based on those infringements should also be included.

We will focus on the two main remedies infringed parties usually seek. This may lead to a certain oversimplification of the variety of possible remedies in infringement actions but will help avoid getting caught in minor details:

On the one hand, holders of rights that are violated have a strong interest in simply stopping the infringer from continuing the infringement. In order to achieve this goal, the infringed person may ask the court to order the infringer to refrain from further infringing actions. In Germany, this request would rely on the so-called *Unterlassungsanspruch*; in the US, the infringed person would have to rely on the equitable relief called injunction. On the other hand, the right holder may suffer damages and wish to be made whole again. In this case, she will ask the court to award her *damages*.

### 3.3.3.1. General Observations

The possibility of having access to injunctive relief is of particularly high importance for FOSS licence enforcement for the following reasons.<sup>68</sup>

First, FOSS licensing as such is a broadly designed way of making software available to a potentially unlimited number of developers and users and has the goal of enabling widespread collaboration in the software development process. An award of damages to one specific right holder is not of much help for the FOSS licensing and developing model as such. Second, the computation of damages for the infringement of rights in FOSS-licensed software can be particularly difficult. Even in the “standard” copyright infringement case it is usually difficult to prove the damages suffered, which is why plaintiffs routinely revert to a licence analogy.<sup>69</sup> In FOSS cases, the plaintiff has to overcome the additional obstacle that there is usually no such thing as an established market price for licensing the respective FOSS licence so that it is even harder to employ the licence analogy.<sup>70</sup>

This being said, we turn now to the specific issues that the choice of a certain form of licensing may trigger.

### 3.3.3.2. Germany

To start with, courts in Germany have confirmed that violations of FOSS licences may constitute copyright infringements and give rise to all types of remedies, in particular injunctions<sup>71</sup> and damages.<sup>72</sup> Thus, holders of rights in FOSS-licensed software may institute all kinds of infringement actions.

---

<sup>68</sup> See *Jacobsen v Katzer*, [2008] 535 F 3rd 1373, at 1381-82 (Fed Cir): “Copyright licenses are designed to support the right to exclude; money damages alone do not support or enforce that right. The choice to exact consideration in the form of compliance with the open source requirements of disclosure and explanation of changes, rather than as a dollar-denominated fee, is entitled to no less legal recognition. Indeed, because a calculation of damages is inherently speculative, these types of license restrictions might well be rendered meaningless absent the ability to enforce through injunctive relief.”

<sup>69</sup> The amount of licence fees they would have received on the market for the type of action that was infringing.

<sup>70</sup> The exception being software that is dual-licensed – that is, licensed either under a FOSS licence or under another, usually paid licence.

<sup>71</sup> Landgericht Munich I (District Court of Munich I), *Sitecom*, [2004] MMR 693; *Skype*, [2008] CR, 57; Landgericht Frankfurt (District Court of Frankfurt), *D-Link*, [2006] CR, 729.

The principle of standing explained above – only exclusive rights may procure the right to sue infringers of the copyrights in the work concerned – applies to all remedies that could be sought, in particular to damages and injunctive relief.<sup>73</sup>

Even the so-called *Prozessstandschaft*<sup>74</sup> enables the person suing (relying on someone else's exclusive rights) to seek all kinds of remedies recognized by German law. There is one caveat, however: If a plaintiff is not the holder of exclusive rights but relies on the principles of the *Prozessstandschaft*, she can ask for the payment of damages to the actual owner of the infringed exclusive rights only.<sup>75</sup>

### 3.3.3.3. *United States*

The situation in the US is in most respects very similar. To start with, US courts have held that FOSS licences are enforceable.<sup>76</sup> As explained, judicial action may only be brought by owners of exclusive rights, including authors, assignees and exclusive licensees. A mechanism that is comparable to the German *Prozessstandschaft* does not exist, however.

US law in turn has a feature that is foreign to the German copyright culture: Pursuant to 17 USC s 504(c), a copyright owner may recover statutory damages (ranging from USD 750 to up to USD 30,000 per infringement) instead of actual damages. This is particularly helpful in cases where the actual damages are minor or difficult to determine (as in FOSS cases). However, the decision to grant exclusive licences or make an assignment will not depend on the availability of statutory damages, as they are available to either of them.

There is another aspect quite different from German principles that may have a bearing on the decision between granting exclusive or nonexclusive rights. Whereas under German law, an infringed person may at any time ask for injunctive relief (as there is no better translation, we use this common law term even in the German context) without having to meet additional requirements, US law is stricter when it comes to awarding injunctions: Because injunctions are awarded as remedies in equity, infringed parties are not entitled to obtain (permanent or preliminary) injunctions; it is in the court's discretion to decide whether or not an injunction is issued. There is no automatism that once an infringement is adjudged, an injunction must be awarded.<sup>77</sup> Instead, a four-factor test applies on a case-by-case basis:

A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary

---

<sup>72</sup> Landgericht Bochum (District Court of Bochum), *WISO Mein Büro*, CR 2011, 289.

<sup>73</sup> German law does not distinguish between remedies in law and in equity. This has important consequences, especially for the case of injunctive relief. In German law, they are a matter of right with few conditions. Hence, though further requirements need to be met in order to be granted a preliminary injunction and for damages, a cease and desist order is generally granted for copyright violations.

<sup>74</sup> See 3.3.2.1 above.

<sup>75</sup> JB Nordemann (see note 20 above), s 97, N° 138.

<sup>76</sup> *Jacobsen v Katzer*, [2008] 535 F 3rd 1373, at 1380 (Fed Cir); *Software Freedom Conservancy, Inc v Best Buy Co*, [2010] Copr L Dec P 29, 964.

<sup>77</sup> See *eBay Inc v MercExchange, LLC*, [2006], 547 US 388, at 393, 126 S Ct 1837, at 1840, 164 L Ed 2nd 641.

damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.<sup>78</sup>

Even though the application of these factors may well lead the courts to issue injunctions in copyright infringement cases more often than not,<sup>79</sup> there is one aspect that should be taken into account when thinking about the enforcement of copyrights for FOSS-licensed software. In its concurring opinion to the Supreme Court's *eBay* decision, Justice Kennedy pointed out that if the protected part for which an injunction is sought is but a small component of the product, which would be banned from the market if an injunction were issued, an injunction should possibly be denied.<sup>80</sup> Similarly, in *Apple Inc v Samsung Electronics Co, Ltd*, Judge Koh held:

Though Apple does have some interest in retaining certain features as exclusive to Apple, it does not follow that entire products must be forever banned from the market because they incorporate, among their myriad features, a few narrow protected functions. Especially given the lack of causal nexus, the fact that none of the patented features is core to the functionality of the accused products makes an injunction particularly inappropriate here.<sup>81</sup>

If these considerations are applied to the (FOSS) software context, where software components may be developed by hundreds or thousands of developers, and the firmware of products may be built using hundreds of such components, it appears doubtful whether single developers will be able to obtain injunctions if their contributions are used in those products without authorization. The above principles

---

<sup>78</sup> *eBay Inc v MercExchange, LLC*, [2006] 547 US 388, at 391, 126 S Ct 1837, at 1839, 164 L Ed 2d 641. For obtaining a *preliminary* injunction a plaintiff “must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest.” *Winter v Natural Res Def Council, Inc*, [2008] 555 US 7, at 20, 129 S Ct 365, at 374, 172 L Ed 2d 249. Hence, “[t]he standard for a preliminary injunction is essentially the same as for a permanent injunction with the exception that the plaintiff must show a likelihood of success on the merits rather than actual success.” *Amoco Production Co v Gambell*, [1987] 480 US 531, at 542, 107 S Ct 1396, 94 L Ed 2d 542, footnote 12.

<sup>79</sup> But consider the several contradicting decisions in the *Jacobsen v Katzer* case. A district court decision denying the plaintiff's request for a preliminary injunction was followed by a very favourable appellate court decision. This decision was followed by a second district court decision denying the motion for a preliminary injunction. Relying on the then-new *Winter* decision, it held that sufficient proof of irreparable harm had not been introduced: “The standard under *Winter* requires that *Jacobsen* demonstrate, by the introduction of admissible evidence and with a clear likelihood of success that the harm is real, imminent and significant, not just speculative or potential.” *Jacobsen v Katzer*, 609 F Supp 2d 925, at 937 (ND Cal 2009) dismissed, 449 F App'x 8 (Fed Cir 2010).

<sup>80</sup> Concurring opinion by Justice Kennedy, *eBay Inc v MercExchange, LLC*, [2006] 547 US 388, at 396-97, 126 S Ct 1837, at 1842.

<sup>81</sup> *Apple, Inc v Samsung Electronics Co, Ltd*, [2012] 11-CV-01846-LHK, 2012 WL 6569786 (ND Cal 17 Dec 2012) (citing *eBay v MercExchange*) hearing in banc denied, 2013-1129, 2013 WL 444755 (Fed Cir 4 Feb 2013). But also see *Apple, Inc v Samsung Electronics Co, Ltd*, [2012] 678 F 3rd 1314, 1338 (Fed Cir) (O'Malley J, dissenting): “...when balancing which of the two parties should be left with the prospect of only receiving money damages (however insufficient such damages might be) – the patent holder or the alleged infringer – it is clear that the answer should be [the alleged infringer].”

do not seem to support that. However, this matter is far from being settled, and a number of arguments that would weigh in favour of the developers could be found. Especially in the case of FOSS licensing, it could be argued that monetary damages are not adequate as compensation, that allowing the infringing distribution would be a particular hardship for the developer, and that the public interest would require strict observance of the FOSS licence conditions. Nevertheless, the restrictive interpretation of the four factors as indicated by Justice Kennedy and Judge Koh makes it appear advisable to bundle exclusive rights in a software project in one hand in order to maximize the chances for obtaining an injunction, should the rights in the software be violated by a third party. By merely granting nonexclusive licences to project guardians this goal may not be achieved.

### 3.3.4. Formalities

One last aspect needs to be mentioned. Under US copyright law, a registration of the copyright is required in order to achieve certain enforcement-related results.

First, copyright owners (including the owners of infringed exclusive right) of a United States work cannot bring an infringement action until the respective copyright/exclusive right is registered with the US Copyright Office (17 USC s 411(a)).<sup>82</sup> Non-US works are exempted from this prerequisite.<sup>83</sup>

---

<sup>82</sup> 17 USC s 101 contains the following definition of “United States work”:

“For purposes of section 411, a work is a ‘United States work’ only if—

- (1) in the case of a published work, the work is first published—
  - (A) in the United States;
  - (B) simultaneously in the United States and another treaty party or parties, whose law grants a term of copyright protection that is the same as or longer than the term provided in the United States;
  - (C) simultaneously in the United States and a foreign nation that is not a treaty party; or
  - (D) in a foreign nation that is not a treaty party, and all of the authors of the work are nationals, domiciliaries, or habitual residents of, or in the case of an audiovisual work legal entities with headquarters in, the United States;
- (2) in the case of an unpublished work, all the authors of the work are nationals, domiciliaries, or habitual residents of the United States, or, in the case of an unpublished audiovisual work, all the authors are legal entities with headquarters in the United States; or
- (3) in the case of a pictorial, graphic, or sculptural work incorporated in a building or structure, the building or structure is located in the United States.”

To date, one unresolved issue is whether making a work available for download on a website makes it automatically a United States work. In *Kernal Records Oy v Mosley*, [2011] 794 F Supp 2nd 1355, at 1364-65 (SD Fla), *aff’d on other grounds*, [2012] 694 F 3rd 1294 (11th Cir), the court held that publishing a work on a website constitutes publishing in the United States. Hence if online distribution of FOSS files is considered publication, a typical open source software project contribution would have to be registered before a lawsuit. *Moberg v 33T LLC*, [2009] 666 F Supp 2nd 415, at 422 (D Del), by contrast, held that publishing photographs by a Swedish photographer on a German website did not amount to publishing in the US.

<sup>83</sup> Otherwise the statute would not be compliant with the United States’ obligations under the Berne Convention, which prohibits making the enjoyment of the copyright in works not originating from the country where protection is sought dependent on formalities (Art 5(2)).

Second, registration is also required for obtaining statutory damages and attorney's fees (17 USC s 412).<sup>84</sup> It is important to note that the registration must have preceded the infringement (or the work must have been registered within three months after publication) if an award of statutory damages or attorney's fees is sought. That is particularly important for FOSS-related infringement actions, as actual damages will in these cases be difficult to prove and/or calculate.

German law has no comparable provisions.

### 3.3.5. *Conclusion*

The enforcement of copyrights requires standing, which can effectively only be procured by exclusive rights or copyright ownership. The German *Prozessstandschaft* may be useful in Germany, but as it has no equivalent in the US, it should be ignored when drafting CLA/CAAs for international use.

The US court opinion that injunctions should not be issued if only a small part of a product is actually infringing is a strong argument for FOSS project guardians for collecting exclusive rights/assignments from as many contributors as feasible.

## 3.4. *Contributor's Options in Case of CLA/CAA Breaches*

If the recipient of a contribution does not meet certain conditions set out in the CLA/CAA, the question as to the contributor's remedies arises. This is of particular importance, if it turns out that the contribution recipient licenses her contribution under terms different from those agreed upon in the CLA/CAA. Is the contributor in such a case able to take action based on breach of contract or can she go further, asserting actual copyright infringement? And does the outcome depend on the character of the licence (assignment, exclusive licence, nonexclusive licence)?

### 3.4.1. *Germany*

In Germany, determining whether violating a licence condition may trigger remedies under breach of contract principles or whether it amounts to an infringement of the copyright involved depends on complex doctrinal considerations.

It is important to note that although the so-called usage rights a licensor may grant under German law "may be limited in respect of place, time or content" (s 31 para 1 sentence 2), this cannot lead to splitting usage rights *ad infinitum*. Rather, any usage right granted must be clearly definable in terms of its economic and technical characteristics.<sup>85</sup> The typical FOSS licence conditions (giving credit, providing the licence text, providing source code) do not meet these criteria.<sup>86</sup> Equally, it is unlikely that the condition in a CLA determining the permitted outbound licence(s) could

---

<sup>84</sup> If the work is unpublished or registration is made no later than three months after publication, an exception applies. Registration is also not required for remedies in an action for infringement of 17 USC s 106A, which concerns only moral rights of visual artists.

<sup>85</sup> See German Bundesgerichtshof, *man sprich deutsch*, [2005] GRUR 48, at 49; *Der Zauberberg*, [2005] GRUR 937, at 939; *OEM-Version*, [2001] GRUR 153, 155; District Court of Munich I, *Sitecom*, [2004] CR 774, at 775; G Schrickler and U Loewenheim (see note 20 above), before s 28, N° 87.

<sup>86</sup> See T Jaeger and A Metzger, *Open Source Software*, 3rd ed (Munich: C.H. Beck, 2011), at 153.



constitute an appropriate demarcation of a usage right. As a consequence, if a contribution recipient fails to comply with the requirements for the outbound licence, it is doubtful that this will be deemed a copyright infringement.

In order to avoid that outcome, one could consider an express licence termination clause like s 4 of the GNU General Public License, version 2 (GPLv2) or s 8 of the GNU General Public License, version 3 (GPLv3). The consequence of using that mechanism would be that noncompliance with the CLA term would end the licence grant so that any further use of the contribution would be a copyright infringement. However, even this approach could quite possibly fail as an attempt to circumvent the above-described limitations for splitting usage rights.<sup>87</sup> The consequence would be that the contributor could only rely on breach of contract principles.

Be this as it may, for the purposes of this paper it shall suffice to note that the above outcome does not depend on the character of the licence grant.

### 3.4.2. *United States*

#### **3.4.2.1. *General Principles***

In the US, answering the above questions comes down to determining whether a licence term is a condition to a copyright grant – limiting its scope – or a mere contractual covenant. Only if a condition in that sense is breached does its violation amount to a copyright infringement. See *Jacobsen v Katzer*:

The heart of the argument...concerns whether the terms...are conditions of, or merely covenants to, the copyright license. Generally, a “copyright owner who grants a nonexclusive license to use his copyrighted material waives his right to sue the licensee for copyright infringement” and can sue only for breach of contract...If, however, a license is limited in scope and the licensee acts outside the scope, the licensor can bring an action for copyright infringement... Thus, if the terms...are both covenants and conditions, they may serve to limit the scope of the license and are governed by copyright law. If they are merely covenants, by contrast, they are governed by contract law....<sup>88</sup>

---

<sup>87</sup> See Landgericht Munich I, *Sitecom*, [2004] CR 774, at 777 and Landgericht Frankfurt, *D-Link*, [2006] CR 729, at 732 where the courts approved a construction, according to which s 4 of the GPLv2 constituted a *condition subsequent*. The court went on to explain that this was acceptable only because, even if the licensee lost her rights because of s 4, this did not impair any other users on the market as they could still receive a licence directly from the copyright owner. The same argument was brought forward by T Kreutzer, case note, (2004) MMR 695-698, at 698 and J Marly, *Praxishandbuch Softwarerecht*, 5th ed (Munich: C.H. Beck, 2009) at 922. This line of reasoning is hard to apply to CLAs, as they aim to provide the contribution recipient with usage rights with the goal to make the contribution available to third parties. When the CLA is signed, the contribution is not yet licensed under a FOSS licence. Thus, if the licence grant to the contribution recipient fails altogether, no one else is in a position to receive a licence directly from the copyright owner.

<sup>88</sup> *Jacobsen v Katzer* [2008] 535 F 3rd 1373, at 1380 (Fed Cir) (emphasis added, citations omitted).

To summarize, terms in a licence can be pure contractual terms. If they are violated, only contractual remedies are available. This means especially that it would be much more difficult to enjoin an infringer from further infringements instead of being confined to mere damages claims. But terms can also constitute conditions to the licence grant. If they are violated, the infringing party does not hold a valid licence and the right holder has access to remedies for copyright infringement (which would require standing under copyright doctrines).

The first indicator for licence conditions as opposed to mere contractual covenants is the wording. If a licence is granted “provided that”, “conditioned upon”, etc, certain requirements are met and a strong indication for a licence condition is made. But it is not necessary to use these exact words. If a licence states with other words that a grant of rights depends on the adherence to certain terms, this is a sufficient manifestation of the copyright holder’s intentions.<sup>89</sup>

Also, it appears the purpose and goals of the licence are to be taken into consideration to determine whether a term is a licence condition.<sup>90</sup> For FOSS-oriented CLA/CAAs, for example, the goal of licensing the contribution on FOSS terms will be paramount, which would support an interpretation of the respective licence requirements as a condition. Other terms, by contrast – like the obligation to use liability disclaimers in an outbound licence – may not have the same weight and could be seen as mere covenants.

The above line of thoughts appears to be applicable to (non)exclusive licences just as to assignments. However, a closer look reveals that the treatment of assignments may not be as straightforward.

#### 3.4.2.2. Special Case: Assignments

According to the decision by the appellate court in *Jacobsen*, licence conditions determine the scope of the rights conveyed. Assignments, on the other hand, are defined as complete transfers of right, title and interest, which seems to conflict with any attempt to limit their scope. This urges the question whether there can be such a thing as an assignment condition.

And thinking further ahead, more questions arise: Would using conditions in an assignment agreement mean that the assignment is transformed into a mere exclusive licence? Or would the appropriate approach be to treat any licence conditions in assignment agreements as mere covenants? Could one argue that terms of a transaction which the parties themselves call an assignment – the strongest form of providing someone else with rights – should usually be regarded as mere covenants in order to “protect” the assignment? Or the other way around, would the breach of the licence condition at issue lead to an (automatic) unmaking of the assignment in order to protect the assignor’s interest?

Case law and literature do not provide any definitive guidance as to how to answer these questions, and in general it can be said that much will depend on the specific

---

<sup>89</sup> *Jacobsen v Katzer*, [2008] 535 F 3rd 1373, at 1381 (Fed Cir).

<sup>90</sup> See *Jacobsen v Katzer*, [2008] 535 F 3rd 1373, at 1382 (Fed Cir): “The attribution and modification transparency requirements directly serve to drive traffic to the open source incubation page and to inform downstream users of the project, which is a significant economic goal of the copyright holder that the law will enforce.”

circumstances of the case at issue. In any event, it appears that contributors making assignments are at a greater risk that violations of even core terms of the assignment may not be deemed copyright infringements, so their remedies may not include remedies under copyright. Therefore, if a strong protection against violation of important assignment terms is intended, the parties should consider a clause according to which the assignment terminates if the assignee violates material agreement terms.

### ***3.4.2.3. Summary for the United States***

Again, legal certainty should be sought by using language that leaves as little doubt as possible as to the intentions of the parties. Thus, if the parties desire enabling the contributor to have copyright remedies if the contribution recipient violates certain CLA/CAA requirements (such as to out-license the contribution on specific terms), the CLA/CAA text should state that either (1) the scope of the licence is limited to the use of the contribution in compliance with the respective requirement,<sup>91</sup> or (2) the assignment will be terminated if certain requirements are not met.<sup>92</sup>

### *3.4.2. Conclusion*

Under German law, it is doubtful whether breaches of the CLA/CAA will simultaneously be copyright infringements. Under US law, the answer will depend on whether the violated agreement term is deemed a mere contractual covenant or a condition. In the latter case, its breach will constitute a copyright infringement. When assignments are used, it is less likely that a breach will constitute a copyright infringement, unless the agreement provides for language under which the assignment terminates because of the breach.

## ***3.5. Consequences as to Formalities***

The character of the grant of rights may also impact certain formalities that need to be satisfied for a valid licence.

### *3.5.1. Germany*

Generally, German copyright law is very liberal with respect to formalities. No grant or transfer must meet any formal requirement. Even extensive exclusive rights can be granted orally or impliedly. One exception exists: According to s 40(1), “[a] contract in which the author undertakes to grant usage rights in future works which are not specified in any way or are only referred to by type shall be made in writing.” However, this provision covers both nonexclusive and exclusive grants so that we do not need to go further with its analysis.

### *3.5.2. United States*

In the US, choosing to include exclusive licences or assignments in a CLA/CAA has an important consequence as to the formalities that need to be observed when making

---

<sup>91</sup> Even if this may mean that the “assignment” could be deemed a mere exclusive licence.

<sup>92</sup> This construction is similar to the termination of nonexclusive licences under the GPLv2 or 3 when the licence conditions are breached.

copyright-related transactions. Pursuant to USC 17 s 204(a), “[a] transfer of copyright ownership...is not valid unless...in writing and signed by the owner of the rights....” As explained above, both assignments and exclusive licence grants are deemed “transfers of ownership” so that they must comply with the requirements of s 204(a). In contrast, a nonexclusive licence is not a transfer of ownership, hence it need not be signed or in writing.

Should the attempt to grant an exclusive licence or to make an assignment fail due to a lack of compliance with the formalities of s 204(a), this does not necessarily mean that the licensee has received no licence at all. Often, a reasonable construction of the agreement between the parties will come to the conclusion that at least a nonexclusive licence has been granted.

#### 4. Conclusion and Recommendations

As this article has demonstrated, the type of licence that will be appropriate for use in a CLA/CAA will depend on the specific interests of the parties to that CLA/CAA.

**Nonexclusive licence.** If it is important to affect the contributor’s legal position as little as possible, nonexclusive licensing would be the appropriate option. However, adopting such an approach will mean that the contribution recipient will not be able to sue infringers, at least under US law, so the burden of enforcement would remain on the contributor. This result could prove a major obstacle for effective FOSS licence enforcement. In addition, the doctrinal basis for sublicensing nonexclusive licences is vague; it seems preferable to make an (additional) grant of an unlimited number of nonexclusive licences that may be retransferred on FOSS terms to ensure that the contribution recipient will be able to FOSS license the contribution.

**Exclusive licence and assignment.** If FOSS licence enforcement by the contribution recipient is a priority, she needs to be able to obtain exclusive rights. This may be achieved both through assignments (under US law) and exclusive licences (under US and German law).

This paper has not revealed any important advantages under US law for determining the transaction to be an assignment rather than a grant of unrestricted exclusive licences. This may, however, have been different under the *1909 Copyright Act*, which authorized only assignees but not licensees to bring an action for copyright infringement.<sup>93</sup> Moreover, in patent law, an assignment is needed to provide the recipient with standing to sue. Yet the current *Copyright Act*, by contrast, does not contain any provisions that compel contributors or recipients to rely exclusively on assignments for achieving the goals discussed above.

Under the current US legal framework, either transaction type will allow for sublicensing and further transfers – even though for exclusive licences the licensor’s consent must be given. But this can be done by using express language to that effect in the CLA/CAA. Thus, FOSS licensing by the contribution recipient is possible both when she is an exclusive licensee as well as when she is an assignee. By the same token, exclusive licences and assignments can be transferred to other entities, if necessary.

---

<sup>93</sup> See 3-10 MB Nimmer and D Nimmer (see note 27 above), 10.01[A].

Moreover, both exclusive licences and assignments empower the recipient to pursue infringers, with no difference as to the available remedies. Copyright registration is possible both for exclusive licensees and assignees.

From the German perspective, the result is slightly different as German law does not recognize assignments of the complete copyright or any of its exclusive exploitation rights. Thus, referring to the transaction as an assignment gives rise to considerable uncertainty as to its scope and legal effects. Therefore, the CLA/CAA should include a special clause for jurisdictions like Germany, where instead of assigning rights, all-encompassing exclusive rights are granted.

Irrespective of the licence type, breaches of standard CLA/CAA terms will usually not be copyright infringements under German law. In the US, by contrast, the violation of such terms may well amount to copyright infringement. To ensure this outcome, the CLA/CAA needs to use standard language for identifying such terms as conditions, as opposed to covenants. Such language could be “provided that” or “conditioned upon”. In case of a breach of a CAA, however, copyright infringement will only occur if the breach causes the assignment to terminate. If this is the desired outcome, the CAA should contain language that clarifies this legal effect of breaches.

Although this paper has sought to clarify a few important issues regarding the drafting of CLA/CAAS and what transaction types are appropriate for the purposes of such agreements, the discussion of how to best draft such agreements is far from over. Not only will it be necessary to take more jurisdictions into consideration, there are also other areas of law that could potentially influence the assessment of the advantages and disadvantages of relying on certain transaction types. For example, the treatment of nonexclusive and exclusive licences and assignments in bankruptcy proceedings could certainly have an impact on the decision over which rights should be bestowed upon the recipients of software contributions.