# Patent Licensing and Open Source

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# Open Source

# Open Source in a Nutshell

- All open source licenses grant licenses unrestricted by field, geography, or market
- Two kinds of licenses
  - Permissive - see Blue Oak License List https://blueoakcouncil.org/list
  - Copyleft
- Primarily copyright licenses, but...
- More recent licenses have express terms regarding patents
- Open source is eating software, faster than software is eating the world

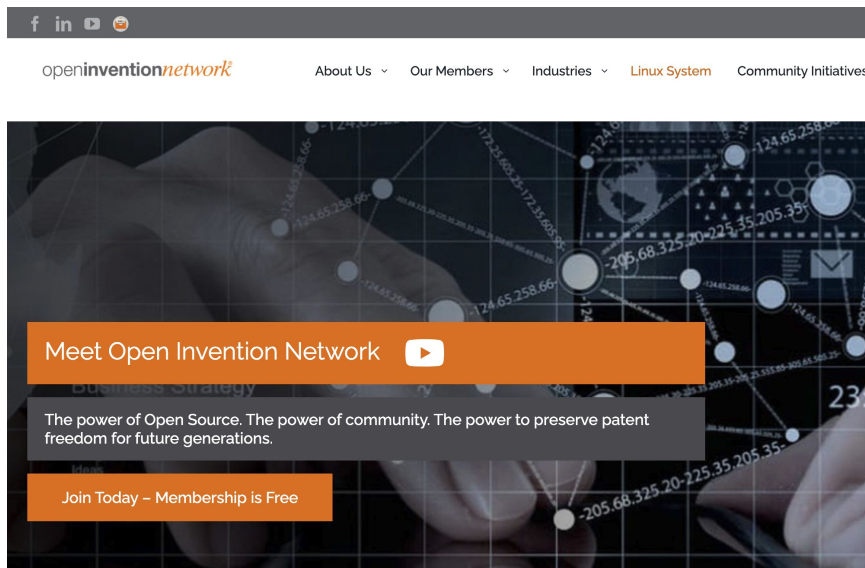
# Open Source and Patents

# Cultural Constructs

- Many open source developers despise patents
- From GPL: "Finally, any free program is threatened constantly by software patents. We wish to avoid the danger that redistributors of a free program will individually obtain patent licenses, in effect making the program proprietary. To prevent this, we have made it clear that any patent must be licensed for everyone's free use or not licensed at all."
- Threats accusing open source software are from NPE
- Patent suits accusing open source are a scorched-earth PR approach for operating companies

# Cultural Timeline

- 2005: OIN formed
- 2012: Oracle America v. Google patent claims dismissed
- 2018: Microsoft joins OIN




Open Invention Network (OIN) is the largest patent non-aggression community in history and supports freedom of action in Linux as a key element of Open Source Software (OSS).

# Implicit and Explicit Licenses

- Many open source licenses contain express patent grants
- Some do not (mostly written before *State Street* and the post 1994 period of software patent growth)
- Open source advocates take the position that those licenses that do not have express patent grants may “grant” implied patent licenses
- No major open source license contains a reservation of rights (exception = MPL 2)
- GPLv3 expressly reserves additional implied licenses notwithstanding an express grant

# Express Patent Licenses

- Runs with software ownership
- Applies to contributors only
  - Covers contribution and combination with remainder of work (e.g. Apache 2.0)
  - Covers entire work distributed by contributor (e.g. GPLv3)

# Example: Apache 2.0

3. Grant of Patent License. Subject to the terms and conditions of this License, each Contributor hereby grants to You a perpetual, worldwide, non-exclusive, no-charge, royalty-free, irrevocable (except as stated in this section) patent license to make, have made, use, offer to sell, sell, import, and otherwise transfer <u>the Work</u>, where such license applies only to those <u>patent claims licensable by such Contributor that are necessarily infringed by their Contribution(s) alone or by combination of their Contribution(s) with the Work to which such Contribution(s) was submitted</u>. If You institute <u>patent litigation</u> against any entity (including a cross-claim or counterclaim in a lawsuit) alleging that the Work or a Contribution incorporated within the Work constitutes direct or contributory patent infringement, then <u>any patent licenses</u> granted to You under this License for that Work shall terminate as of the date such litigation is filed.

# Defensive Termination

- **Which license is terminated?**
  - Patent license only (e.g. Apache 2.0)
  - Copyright license also (e.g. Mozilla 2.0)
- **Is it retroactive?**
- **Is it triggered by cross-complaints?**
- **Is it triggered by:**
  - Complaints against a particular licensor
  - Complaints relating to the project
- **Apache 2.0 has emerged as the model of choice**

# Open Source Patent Grants

| License | Capture | Grant Applies To |
|---|---|---|
| Apache 2.0 | Patents infringed by contributions or combination | Entire work |
| CDDL | Patents infringed by contributed software | Contributions+Combination |
| GPL3 | Patents infringed by Contributor Version | Contributor Version |
| BSD+Patents | Patents infringed by contributions or combination | The software |
| Mozilla 2.0 | Patents infringed by Contribution or Contributor Version | Contributions and Contributor Version |

Summary: GPL3 and MPL2 are broader but still triggered by contributions, Apache 2.0, CDDL and BSD+Patents are similar

# Defensive Termination

| License | Trigger | Rights Terminated |
|---|---|---|
| Apache 2.0 | Any patent claim (including cross-claim or counterclaim) accusing the Work of direct or contributory patent infringement | Patent grants from all contributors |
| CDDL | Any patent claim (excluding declaratory judgment actions) against a contributor accusing the Contributor Version | All rights. 60 day cure period. |
| GPL3 | Any patent claim accusing the software | All rights |
| BSD+Patents | N/A | N/A |
| Mozilla 2.0 | Patent claim accusing the software (excluding declaratory judgment actions, counter-claims, and cross-claims) | All rights |

GPL3, CDDL and MPL terminate all rights, others terminate patent licenses

# Why do we care?

- **Most patent holders do not seek patents covering open source code**
  - Seeking them is not cost effective
  - Open source licensing does not make patents unenforceable, but:
    - Creates the possibility of license defenses, particularly when combined with permissive licensing
    - Potentially reduces damages
    - May affect MFN provisions, regulatory requirements
    - Most patent portfolios are licensed en masse
  - Often will cover legacy patents in inventive space where no current activities are taking place
- **Potentially thorny issue in patent cross-complaints**
  - Defendant can plead a defense of an express or implied license under open source license
  - Even if this defense is not successful, it may be complex and expensive to litigate

# GPLv3 and Patents

## GPL3's Approach to Patents:
# Additional Restrictions

- 10. You may not impose any further restrictions on the exercise of the rights granted or affirmed under this License. For example, you may not impose a license fee, royalty, or other charge for exercise of rights granted under this License, and <u>you may not initiate litigation (including a cross-claim or counterclaim in a lawsuit) alleging that any patent claim is infringed by making, using, selling, offering for sale, or importing the Program or any portion of it.</u>

## GPL3's Approach to Patents:
# Liberty or Death

- 12. No Surrender of Others' Freedom. If conditions are imposed on you (whether by court order, agreement or otherwise) that contradict the conditions of this License, they do not excuse you from the conditions of this License. <u>If you cannot convey a covered work so as to satisfy simultaneously your obligations under this License and any other pertinent obligations, then as a consequence you may not convey it at all. For example, if you agree to terms that obligate you to collect a royalty for further conveying from those to whom you convey the Program, the only way you could satisfy both those terms and this License would be to refrain entirely from conveying the Program.</u>

## GPL3's Approach to Patents:
# The "Microsoft" Paragraph

- In the Microsoft/Novell deal, Microsoft agreed not to sue Novell Linux customers for patent infringement, and Novell paid Microsoft certain undisclosed amounts (rumored to be a percentage of revenue for one of Novell's divisions).
- If, pursuant to or in connection with a single transaction or arrangement, <u>you convey, or propagate by procuring conveyance of, a covered work</u>, and grant a patent license to some of the parties receiving the covered work authorizing them to use, propagate, modify or convey a specific copy of the covered work, then the patent license you grant is <u>automatically extended to all recipients</u> of the covered work and works based on it.
- Enforceability issues. Who is "you"?

## GPL3's Approach to Patents:
# The "Novell" Paragraph

- A patent license is "discriminatory" if it does not include within the scope of its coverage, prohibits the exercise of, or is conditioned on the non-exercise of one or more of the rights that are specifically granted under this License. You may not convey a covered work if you are a party to an arrangement with a third party that is ,
under which you make payment to the third party based on the extent of your activity of conveying the work, and under which the third party grants, to any of the parties who would receive the covered work from you, a discriminatory patent license (a) in connection with copies of the covered work conveyed by you (or copies made from those copies), or (b) primarily for and in connection with specific products or compilations that contain the covered work, unless you entered into that arrangement, or that patent license was granted, prior to 28 March 2007.

## The “Novell” and “Microsoft” Paragraphs

- Note the phrase “grandfathering” in the Microsoft/Novell deal (the date being the one on which the first draft of GPLv3 with this paragraph was released).
- These provisions were inserted near the end of the drafting process and therefore did not benefit from the level of discussion that was applied to other provisions.

## The "Microsoft" Paragraph
*(continued)*

- "If…you convey, or propagate by procuring conveyance of, a covered work…"
  - **Novell was actually doing the distribution**
- "… then the patent license you grant is automatically extended to all recipients of the covered work and works based on it."
  - **But who is "you"?**
- Limits ability to do standard cross-licenses or settlements
  - **Most such licenses are non-sublicensable, CNS, or otherwise do not extend beyond one level of distribution**
  - **Inters with exhaustion doctrine, but exhaustion is unclear in the software context**
  - **Paragraph requires that any patent license clear rights for all downstream users throughout multiple levels of distribution**
  - **No customary patent license allows this clearance**

# Implied Licensing and Exhaustion*

*Extra slides – This section may be outdated

# Implied Licenses

- **"…signifies a patentee's waiver of the statutory right to exclude others from making, using, or selling the patented invention."**
- **Two significant avenues to an implied license:**
  1. Equitable Estoppel
     - Acts of patentee led the alleged infringer to infer consent
     - Based on entire course of conduct
     - Does not require misleading conduct
  2. Legal Estoppel
     - Patentee licensed a right
     - Received valuable consideration
     - And later seeks to derogate from the right granted
- **May be unavailable if software has non-infringing uses.**

# Implied Licenses

- **Both Equitable and Legal Estoppel may be viable theories for an implied patent license in the open-source context, although no U.S. court has addressed this issue explicitly.**
- **Key questions are: (1) what conduct is likely to trigger an implied license, and (2) what is the scope of the license?**

# Exhaustion: Probably not an Issue for Software

- **"The authorized sale of an article which is capable of use only in practicing the patent is a relinquishment of the patent monopoly with respect to the article sold."**

  *United States v. Univis Lens Co.*, 316 U.S. 241 (1942); *see also Quanta Computer, Inc. v. LG Electronics, Inc.*, 128 S.Ct. 28 (2007).

- **Exhaustion Doctrine is based on public policy: a patentee should not get a second bite at the apple once it has reaped the benefit for the sale of a product.**
- **Key questions for open-source software:**
  1. Has the open-source distributor (or contributor) reaped the benefit of their invention if there is no royalty? If not, can it be considered a "sale"?
  2. Is mere distribution of software under an open-source license an "authorized sale" if no rights are arguably transferred?

# Thank you!

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