

District Court of Munich I¹

No. 21 O 6123/04

On Behalf of the People!

Judgment

In re

Harald Welte, [...]

- Plaintiff -

Counsel: Jaschinski Biere Brexl, Steinsdorfstraße 5, 80538 Munich

vs.

S... Deutschland GmbH [...]

- Defendant –

Counsel: [...]

for injunctive relief

the 21. Civil Panel of the Munich District Court I [...], based on the Hearing dated 19th of May 2004, renders the following

¹ **DISCLAIMER:** This is an unofficial translation! The correctness or exactness of it is not guaranteed or represented in any way. The information is not intended to be a comprehensive study, nor to provide legal advice, and should not be relied on or treated as a substitute for specific advice concerning individual situations.

Final Judgment:

- 1. The Preliminary Injunction ordered by the Munich District Court I on the 2nd of April 2004, no. 6123/04, is upheld.**
- 2. The defendant bears the further costs of the proceedings.**

Facts:

The plaintiff asserts a claim for injunctive relief against the defendant relating to the distribution of so-called Open Source Software.

The plaintiff is a member of the open source project “netfilter/iptables” and, as a so-called “maintainer”, the chief person in charge of software development. The subject matter of the project, which was founded by the Australian Paul ‘Rusty’ Russell in 1999, was to replace the outdated old Linux-Firewall (ipchains) by an up-to-date, forward-looking and flexible software architecture.

Since 2001, the plaintiff has been the maintainer of the ‘core team’ consisting of four people. The ‘core team’ operates the internet platform “www.netfilter.org”, makes all seminal decisions about the software architecture, integrates the results of the other software developers and issues the software packages.

The software “netfilter/iptables” consists of two components: The actual “engine”, which processes the network packages in the kernel of the Linux Operating System, and the configuration program, with which the administrator is able to set the Security Policies (the so-called Package Filter Rules). Thus, the software “netfilter/iptables” is an integral part of the widespread and economically significant operating system GNU/Linux, known under the denomination “Linux”. The software “netfilter/iptables”, due to its complex tasks, has already reached a considerable volume, at this point in time consisting of 22,775 lines of code in the Linux-Kernel and 32,244 lines of code in the configuration program.

On the internet platform www.netfilter.org, the source code of the software “netfilter/iptables” is offered for download and made available to team members and third parties for further development.

The software “netfilter/iptables” is – and this is pointed out on the website – free software which can be used by anyone under the conditions of the GNU General Public License (GPL).

Inter alia, the license conditions provide for the following stipulations:

1. You may copy and distribute verbatim copies of the Program's source code as you receive it, in any medium, provided that you conspicuously and appropriately publish on each copy an appropriate copyright notice as well as a warranty disclaimer; keep unaltered all notices that refer to this License and to the absence of any warranty; and hand over any other recipients of the Program a copy of this License along with the Program. You may charge a fee for the physical act of transferring a copy, and you may, at your option, offer warranty protection in exchange for a fee.
2. ...
3. You may copy and distribute the Program (or a work based on it, under Section 2) in object code or executable form under the terms of Sections 1 and 2 above provided that you also perform one of the following services:
 - a) Accompany it with the complete corresponding machine-readable source code, which must be distributed under the terms of Sections 1 and 2 above on a medium customarily used for software interchange; or,
 - b) Accompany it with a written offer, valid for at least three years, to give any third party, for a charge no more than your cost of physically performing source distribution, a complete machine-readable copy of the corresponding source code, to be distributed under the terms of Sections 1 and 2 above on a medium customarily used for software interchange; or,
 - c) Accompany it with the information you received as to the offer to distribute corresponding source code. (This alternative is allowed only for noncommercial distribution and only if you have received the program in object code or executable form with such an offer, in accord with Subsection b above.)

4. You may not copy, modify, sublicense, or distribute the Program except as expressly provided under this License. Any attempt otherwise to copy, modify, sublicense or distribute the Program is void, and will automatically terminate your rights under this License. However, parties who have received copies, or rights, from you under this License will not have their licenses terminated so long as such parties remain in full compliance.

The defendant is the German subsidiary of the corporation S. ... Europe, which has its seat in the Netherlands.

The group of companies inter alia advertises and distributes network products such as Fire-Wire adaptors and cables, Bluetooth, USB adaptors and WLAN-Routers through the website www.s....com.

When the website is accessed from within the Federal Republic of Germany, it is displayed in German language. In the self-presentation, accessible under the menu item "About S....", only the defendant is named as the company with its address.

On the internet pages, amongst other things, the Wireless Network Broadband Router 100g+ (WL-122) is advertised, and the firmware which is included therein is offered for download. On the Website that contains the downloading option of the software a German manual can be found as well. The software which is offered for free downloading contains the software "netfilter/iptables" in object code and in this context also, amongst other things, the software modules "PPTP helper for connection tracking and NAT" and "IRC helper for connection tracking and NAT" which were entirely and exclusively programmed by the plaintiff.

On the website of the company S. ..., there was – at least until the 18th of May 2004 – neither a reference made to the fact that the firmware contains software that was put under the GNU General Public License nor did the website contain a reference to the license text of the GPL or the source code of the software "netfilter/iptables".

In a letter, dated the 18th of March 2004, the plaintiff formally cautioned the defendant due to violations of the GPL.

After further correspondence between plaintiff on the one hand and defendant and parental company on the other, and after the defendant had declined to execute the demanded decla-

ration to cease and desist, the plaintiff filed the application for a preliminary injunction on the 1st of April 2004.

This Panel – in compliance with plaintiff's application – issued the following preliminary injunction on the 2nd of April 2004:

1. The defendant is under penalty [...]

enjoined

from distributing and/or copying and/or making available to the public the software "netfilter/iptables" without at the same time – in accordance with the license conditions of the GNU General Public License, Version 2 (GPL) – making reference to the licensing under the GPL and attaching the license text of the GPL as well as making available the source code of the software "netfilter/iptables" free of any license fee.

2. The defendant has to bear the costs of the proceedings.
3. The value of the dispute is assessed to be 100.000,00 Euro.

The defendant filed an objection against the preliminary injunction with written submission, dated the 20th of April 2004.

The plaintiff brings forward the following allegations and arguments:

The preliminary injunction should be upheld.

The respective claim would result from Sect. 97 Para. 1 in conjunction with Sect. 69 c no. 1-4 of the German Copyright Act.

The defendant would have infringed upon plaintiff's copyright by offering the software "netfilter/iptables" for download and promoting its distribution without abiding by the license conditions of the GPL.

Said actions would only be permitted if the defendant possessed a respective license-permission. Since the defendant would exclusively license the software “netfilter/iptables” under the GPL, any use that does not conform to the GPL would be prohibited. Since Sect. 4 of the GPL would expressly stipulate that an infringement of the license automatically causes a loss of the license. Therewith, the GPL would only provide for a grant of the rights of use subject to a resolatory condition pursuant to German Civil Code² Sect. 158 Para. 2.

Since the defendant used the software “netfilter/iptables” contrary to the license conditions of the GPL – in particular, by not making reference to the GPL and by not making the source code available – he would have infringed upon the plaintiff’s copyright.

This would apply regardless of whether the license conditions of the GPL were effectively agreed upon by and between plaintiff and defendant or not. Because, if the GPL had not been agreed upon by the parties, the defendant would be, in any case, lacking the required rights of use in order to be legally able to copy, distribute and make available to the public the software “netfilter/iptables”.

The distribution without reference to the GPL and without the making available of the source code would also infringe upon the plaintiff’s moral rights as an author pursuant to Sect. 13 in conjunction with German Copyright Act Sect. 69 a Para. 4.

The defendant’s status to be a defendant would have been established. This would follow from the internet presentation. Regardless of the question in which form or capacity the defendant is actually active, he would have infringed upon the plaintiff’s copyright as a violator himself. By adopting the plaintiff’s software as his own and making it available to the public, he would also be liable for the occurring copyright infringement. On the website, the defendant would be named as the entity in charge.

A preliminary securisation of the plaintiff’s rights in summary proceedings would be necessary. The plaintiff would not have to be referred to trial on the merits in order to execute his rights. Further infringements, which would have to be feared, would irrecoverably impair the interests of the plaintiff, in particular in regard to the recognition of authorship. For this rea-

² In the original judgment, the court mentions Section 158 of the “German Copyright Act”. This cannot be correct since such paragraph does not exist in said Act. In addition, it is entirely clear that the court referred to Section 158 of the German Civil Code. For these reasons, the translator has taken the liberty to correct the error while at the same time acknowledging that this reference need be made.

son, the copyright interests of the plaintiff would be at risk of a direct damnification. Hence, a decision in a trial on the merits would come too late.

The plaintiff applies for as follows:

The preliminary injunction of the 2nd of April 2004 is upheld.

The defendant applies for as follows:

The preliminary injunction of the 2nd of April 2004, [...] is reversed.

The defendant brings forward the following allegations and arguments:

The preliminary injunction would have to be reversed, because it would have not been demonstrated that the defendant has the legal capacity to be made a defendant is not established. The plaintiff would have no cause of action for a preliminary injunction. The defendant neither engages in the distribution and/or copying and/or making available the software "net-filter/iptables" to the public. The defendant would be merely a support company which would have no independent distribution department, would not independently engage in copying and making available to the public and would not do so either.

The fact that it would not be the defendant, but that the company S. ... Europe BV copies, distributes and makes available to the public, would be known to the plaintiff.

Since it would have been furthermore communicated that the website has already been changed, it would be obvious that on part of S. ... Europe BV the issue was meant to be resolved and will be resolved.

Therefore, the reason for ordering a preliminary injunction would not have been established either. There would be no urgency in the matter.

[...]

Ratio Decidendi:

The preliminary injunction had to be upheld as an adequate claim as well as a corresponding reason for its order have been demonstrated.

I.

The adequate cause of action is derived from German Copyright Act Sections 97, 69 a, 8 Para. 2; 15, since the plaintiff is at least co-author of the software in question and the acts of use, which are attributable to the defendant, were not justified by a right of use.

A.

The cause of action pursuant to German Copyright Act Section 97 requires that the defendant has not become holder of a right of use regarding the software.

To begin with, the Panel shares the view that one cannot perceive the conditions of the GPL (General Public License) as containing a waiver of copyright and related legal positions. On the contrary, the users avail themselves of the conditions of copyright law in order to secure and carry into effect their concept of the further development and dissemination of software (see Dreier/Schulze, UrhG, § 69a, Rn. 11).

With respect of an infringement, two cases can be distinguished, on the one hand that the defendant has at no point of time acquired a right of use and on the other hand that the once granted rights of use have reverted to the plaintiff pursuant to GPL No. 4.

Relating to the first alternative, it is furthermore possible that agreement *in rem* was not concluded because the standard business conditions are void (German Civil Code Section 306 Para. 2).

The distinction between both alternatives can – practically – not be made on the basis of the form of the distribution of the software. For this reason and in particular because of the exact wording of the application, it must be examined in the first alternative, as well, whether these license conditions have become an integral part of the agreement *in rem* or could have become so.

The Panel is furthermore of the opinion, that the question of whether the defendant has become holder of rights of use *in rem* (emphasis added by the translator), must be answered under application of German law (BGH, GRUR 1999, 152 – Casino Affair).

Whether this would also be the case if the question at hand were one of a purely *in personam* contractual form, the Panel does not have to answer since it holds – in accordance with the prevailing opinion of courts and scholars – that a simple right of use constitutes a right *in rem* as well (see Schricker, Urheberrecht, 2. Aufl., vor §§ 28 ff. Rnd. 49; Dreier/Schulze, UrhG, § 31 Rn. 52).

B.

The Panel considers the license conditions to be general business conditions which are to be examined under application of German Civil Code Sections 305 et seqq.

1.

To begin with, the Panel has no doubt whatsoever that the general business conditions have been effectively incorporated into a possible contractual relationship between the defendant and the plaintiff pursuant to German Civil Code Section 305 Para. 2. On the internet page, reference is made to the general business conditions. Furthermore, the general business conditions are universally available. Even though the German translation may not be an official one, there are no concerns whatsoever as to the fact that the official conditions are only available in English language, since English is a prevalent foreign language in the computer industry. This applies at least where a contractual relationship between the authors and a commercial software business is concerned.

2.

The Panel is of the opinion that GPL No. 4, which provides for an automatic reversal of rights when an infringement of the code of behavior as set forth in No. 2 occurs, does not inadequately discriminate the contractual partner of the user of the standard business conditions.

a) However, No. 4 is technically not a valid limitation of the right of use pursuant to German Copyright Act Section 31 Para. 1 Subsect. 2.

Pursuant to Copyright Act Section 31 Para. 1, rights of use may be granted under limitations to their spatial scope as well as to their duration and content.

According to the jurisdiction of the German Federal Court of Justice, a dispartment of the right of distribution (German Copyright Act Section 17 Para. 1), that is not only to have an *in personam* but an *in rem* effect, can – for the curtailing of the marketability of the work in question that can possibly result from it – only be considered if customary, technically as well as economically independent and therefore clearly delimitable forms of use are concerned (see BGH, GRUR 2001, 153-155 – OEM-Version).

The conditions of GPL No. 2 do not fulfill these requirements (Metzger/Jaeger, Open Source und deutsches Urheberrecht, GRUR Int. 1999, 839 ff.; Omsels, Open Source und das deutsche Vertrags- und Urheberrecht, in Festschrift für Hertin; Plaß, Open Source Contents im deutschen Urheberrecht, GRUR 2002, 670 ff.).

b) Legal scholars go after legal constructions, in order to let the automatic reversal of rights provided for in the clause be effective in law in the territory of the Federal Republic of Germany, as well.

Legal scholars propose the assumption of an agreement *in rem* with a resolatory condition that provides for an automatic reversal of rights in case a licensee does not abide by his contractual obligations (see, in particular, Metzger Jaeger l.c.). The reason given for this is that legal transactions with an *in rem* character may – as a matter of principle – be made subject to conditions.

The Panel considers this construction to be compatible with German Copyright Act Section 31 Para. 1 Subsect. 2.

To begin with, it shall be noted that when a violation of certain obligations of conduct occurs, the legal consequences of a valid limitation or an automatic reversal can lead to the same legal results, for in both cases there will be no holdership of rights of use, and possible dispositions would be invalid in relation to third parties for lack of entitlement.

There is always the peril that the condition-concept will – in a considerable amount of cases – merely serve to circumvent the legal norm of German Copyright Act Section 31.

However, the Panel is of the opinion that one cannot derive from German Copyright Act Section 31 (new version) that transfers of copyrighted rights of use under resolatory conditions are generally impossible.

The question of whether such a condition is legally valid – i.e. of whether it is a circumvention of German Copyright Act Section 31 or not – is to be determined on the basis of the contractual agreement as a whole. In doing so, it must be asked which ramifications the resolatory condition can have in relation to the marketability of the rights and the physical storage items, respectively, on which the software is recorded (and which are then further processed).

One essential consideration for the restriction of possible contractual covenants as to rights of use which involve rights *in rem* is, that, especially in a trade chain, the marketability of the rights is to be maintained, for the reason of which not each and every violation of some code of conduct must lead to a situation in which software is distributed and/or passed on by a person without being correspondingly entitled to do so.

This peril is only given in a small degree with the contract structure here to be examined. The conditions explicitly provide that the licenses of third parties are not terminated as long as they fully recognize the GPL and adhere to it.

The condition-concept can, however, limit the marketability of physical storage items with “open source software”. If the distributor, at the time of making the reproductions, was not entitled to do so because of the reversal of rights, the principle of exhaustion cannot be applied and the actual user purchases from a person not entitled to sell the item. The provision of German Copyright Act Section 69 Para. 1 does not come to the assistance of the user, because Section 69 d requires that the user holds rights of use in terms of the Copyright Act (see Schricker/Loewenheim, Urheberrecht, 2. Aufl., § 69 d, Rn. 4; Plaß l.c.).

Yet, this aspect can be neglected, since the third party is always able to acquire the required rights of use directly from the author (or, as the case may be, may only acquire them this way anyway).

It can be stated in recapitulatory fashion that the consequences of a reversal of rights – similar to a limitation with a purely obligatory *in personam* character – mainly concern the author and hardly prejudice the marketability of the rights.

Furthermore, it must be borne in mind that the offer *in rem* does not expire when infringements occur, but that the infringer may re-acquire the right by accepting and adhering to the conditions. Thus, the automatic loss is not particularly severe.

Because any third party may always acquire the rights of use of the software, albeit they were granted to him by a person not entitled to do so, the marketability of the rights and the physical storage items is only marginally compromised. Also, the consequences of the reversal strike the infringer in the first place. For these reasons, according to the opinion of the Panel, GPL No. 4 does not constitute a circumvention of German Copyright Act Section 31 Para. 1 Subsect. 2.

c) Even if doubts about the validity of GPL No. 4 Phrases 2 and 3 were justified, this would not lead to the consequence that GPL No. 4 Phrase 1 is invalid. The Panel is of the opinion that the clause as a whole would only be partially invalid with the consequence that a breach of GPL No. 4 Phrase 1 would have effects *in personam* only.

3.

The Panel has no doubts as to the validity of the conditions set forth in GPL No. 2 and 3.

The licensee is only required to pass on the software which was handed over to him free of charge and – where applicable – the modified software in a fashion that allows third parties to use the software, as well. Moreover, the basic concept of open source software is expressly acknowledged by the legislator in German Copyright Act Section. 32 Para. 3 Subsection. 3 (see Dreier/Schulze, UrhG, § 32, Rn. 80, 81).

4.

Even if one was of the opinion, that GPL No. 4 or No. 3 do – eventually – not withstand as to their validity when examined according to German Civil Code Section 307, one would – in the opinion of the Panel – have to very closely examine if the contract was not invalid as a whole according to Section German Civil Code 306 Para. 3³. If the open development of the software is endangered by the invalidity of the clause and a fundamental concept of open source software is affected, there is – in the opinion of the Panel – considerable ground for the argument that in such cases there has been no agreement *in rem* at all with the consequence that any use of the software is illegal.

³ Cp. Footnote 2, with the proviso that „§ 158“ be substituted by „§ 306“.

C.

The Panel is of the opinion that the defendant's capacity to be made a defendant is sufficiently established.

The software in question can be downloaded from the mentioned internet address. In the German language version only the address of the defendant is mentioned under the rubric "About Us".

It results from this design, of which the defendant had to have knowledge, that the only known contact person in German speaking territory is the defendant. For this design, the defendant must – in the opinion of the Panel – accept that any offer is attributed to him.

If the offer on the web page was to be attributed to the mother company, the defendant would at least be a contributory infringer, because he supports the distribution of the software.

II.

The reasons for the issuance of the preliminary injunction are established. It cannot be expected from the plaintiff that he acquiesce in the distribution of his software under violation of the conditions of the GPL until a decision in the case on the merits is reached. The defendant has not presented any facts that would – if established – lead to the assumption of severe detriment on his part. Nor is such detriment in evidence.

III.

The decision on the costs is founded in German Civil Procedure Code Sect. 91.

Signatures 1. 2. 3.

[Translation by Thorsten Feldmann, LL.M., Esq., and RRef. Julian Hoepfner, LL.M., Jaschinski Biere Brexl Rechtsanwalte, Berlin, www.ibb.de]