Germany: No Damages when Violating the GPL?

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Legal enforcement of open source software license violations, in particular violations of the General Public License (GPL), has been established in Germany for quite some time. Back in 2004, the Regional Court of Munich I granted an injunction confirming copyright infringement on the basis of a violation of the terms of the GPLv2 (judgment of 19/5/2004 – 21 O 6123/04). Since then, German courts have dealt with a number of legal issues relating to enforcement of violations of Open Source Software licenses, inter alia granting the right to obtain information on the extent of the copyright infringement (cf. Sec. 101 German Copyright Act), in order to be able to calculate possible damages (see: Regional Court of Hamburg, judgment of 14/6/2013 – 308 O 10/13 – FANTEC).

Following last year's first instance decision of the Regional Court of Bochum (judgment of 3/3/2016 – 8 O 294/15) concerning whether such a violation entitles the copyright holder to claim damages, for the first time a Court of Appeals in Germany has been given the opportunity to assess the validity of licensing under the terms of the GPLv2 and enforcement of GPL violations.

In the case at hand, a university made available on the Internet open source software enabling its students and staff to access the university's WIFI networks. The software version provided was initially developed and published by the claimant under the terms of the GPLv2. That specific software version was no longer provided by him, but a later version was available under a proprietary license. The claimant argued that the university had neither provided the corresponding source code nor the license text of the GPLv2 (see Sec. 3 GPLv2) for the earlier software version. Following a warning letter claiming a violation of the GPLv2, the university stopped making available the contested software and issued a cease-and-desist letter as required under German law, however they refused to pay the reimbursable lawyers' fees, acknowledge the obligation to compensate the claimant's damages and provide information on the extent of the violation, necessary for calculating the specific amount of damages.

The first instance Court affirmed the copyright infringement and acknowledged the obligation to compensate damages based on a so-called license by analogy, because under German copyright law the copyright holder can choose an assessment of damages on the basis of the amount the infringer would have had to pay in equitable remuneration if the infringer had requested authorisation to use the right infringed (see Sec. 97 para. 2 German Copyright Act). Further, for calculating the specific amount of damages, the Court ordered the defendant to provide information on the duration of the availability of the software on the university's servers and the number of students.

Following an appeal by the university, the Higher Regional Court of Hamm confirmed the copyright infringement, because the undisputed violation of the terms of the GPLv2 automatically resulted in a cessation of rights (final judgment of 13/6/2017 – 4 U 72/16). However, the Court of Appeals refused to acknowledge any damage claims, arguing in substance that – on the one hand – a GPL compliant use would not result in any license fees, and – on the other hand – the claimant did not offer the software version in dispute under an alternative proprietary license model (dual licensing). Therefore, a license fee of zero must be assumed (in relation to a violation of a Creative Commons license, see also the Higher Regional Court of Cologne, judgment of 31/10/2014 – 6 U 60/14, para. 104, referring to Rechtbank Amsterdam, judgment of 9/3/2006 – KG 06-176 SR – uitspraken.rechtspraak.nl).

However, considering the established case-law of the German Federal Court of Justice on determining the existence of damages based on a license by analogy, the reasoning of the Court of Appeals seems overly strict. The Higher Regional Court of Hamm's main argument implies that if the university had complied with the license obligations – either under the terms of the GPL or under those of a proprietary license – this would have resulted in the conclusion of an actual license agreement. But, a calculation of damages based on a license by analogy explicitly does not require that a license would have been concluded with the infringer in the first place (see German Court of Justice, judgment of 17/6/1992 – I ZR 107/90 – Tchibo/Rolex II) or that the infringer would have been willing to pay a license fee at all (see judgment of 29/7/2009 – I ZR 169/07, para. 36 – BTK). So, it is not necessary for acknowledging a damage claim that a license would have been obtained in consideration for a reasonable license fee or that the infringer would have been willing to pay such a fee for obtaining sufficient license rights.

Further, the Court of Appeals denied an award of damages, because the claimant did not show that the infringed software version itself was licensed under a proprietary license, only a later version of that software. But also in that regard, the fact that a later software version was distributed only in consideration for a license fee rather speaks in favour of an entitlement to claim damages. According to the German Court of Justice, it is sufficient to apply the license by analogy approach if it is common to exploit the works in question by granting license rights (see judgment of 23/6/2005 – I ZR 263/02 – Catwalk).