

HOW'S YOUR GRANDFATHER?

(PROFILE SOFTWARE LIMITED against BECOGENT LIMITED [2005] CSOH 28

Lord Kingarth, Court of Session, 16th February, 2005)

In this article, Iain G. Mitchell QC discusses a Scottish case which can be used to suggest a radically different approach to the thorny Grandfathering problem in Open Source Software Licensing.

It is one of the great paradoxes of life that Open Source Software is made open and free (as in speech, not beer) by using the licensing mechanism, used in the proprietary world to keep copyright locked up, to impose terms which force the software to be kept open - for example as provided for in clauses 1 to 3 of the GNU General Public Licence.

There is no doubt that this will tie the first licensee, but for Open Source Software to remain free it is essential that these terms also attach to licensees who are further down the chain. Accordingly, a great deal of ink has been spilled by open source lawyers and academics trying to come up with some theory to create a contractual nexus between the originator of the software and later users. For example, one often hears asked the question of whether the General Public Licence creates a *ius quaesitum tertio* [a right on the part of a person who is not a party to the contract to sue on the contract] in favour of the first licensor, the "grandfather".

The *Profile Software* case at first sight has nothing to do with anything except the good old-fashioned use of copyright to make sure that software remains locked up, yet, hidden within it is the seed of an answer to the grandfathering problem.

The background was that Coranta Corporation had a call centre software suite known as "Profile" which was designed to be tailored to individual customers' requirements. It enjoyed modest success and was licensed to a number of companies. Then, in an all-too familiar turn of events in the software industry, Coranta got into financial difficulties and went into liquidation. The liquidator sought to dispose of the Company's principal asset, the intellectual property in the Profile software. This did not prove difficult as one of the customers, MGT plc, was willing to buy the intellectual property and each of the other existing customers, including Becogent, were content with taking a fresh Licence. A new licence was necessary because the liquidator was not prepared to go on providing support, so an extended licence was required to allow the customers to arrange their own support, for which purpose they were each provided with the source code.

The way in which the arrangement was given effect to was, first, for the liquidator (with the full knowledge and consent of MGT) to grant the new licences to the other customers, and, since there was to be no more support, the Liquidator also handed over the source code to them. Immediately thereafter, the liquidator granted an Assignment of the IPR in favour of Profile Software, a wholly-owned subsidiary of MGT.

Some time later, Profile came to suspect that Becogent was in breach of the terms of the licence by using the source code to make more extensive changes in the functionality of the software than was permitted in terms of the licence. Following investigation, Profile raised an action in the Court of Session seeking, as copyright proprietor, certain remedies under the Copyright Designs and Patents Act 1988 and also seeking certain special remedies which were provided under the terms of the licence.

The defenders raised, as a Preliminary Issue, a defence of “no title to sue” and the case went to a preliminary Proof before Answer before the intellectual property judge, Lord Kingarth.

Although the defenders originally disputed the title of the pursuers to sue for any of the remedies claimed, during the course of the proof, they conceded the pursuers’ title as copyright owner in respect of the statutory remedies. However, in respect of the rights under the Licence, their argument was that since the Assignment did not, in terms, assign the Licensor’s right under the Licence, that had remained unassigned and the title to sue for the contractual remedies still resided with the liquidator.

The decision of the Court was that Profile Software did, indeed, have title to sue. In the event, the *ratio* of this decision was founded on the interpretation of the words of the Licence, missives and Assignment, and the inherent improbability, in the view of the Court, that the parties could have deliberately sought to engineer a result in which Profile Software had interest but no title to enforce the Licence, whereas the liquidator had title but no apparent interest to do so.

However, as Senior Counsel on behalf of Profile Software, the present author also addressed to the Court an argument founded in a wider principle: copyright is a proprietary right which includes a right to prevent others from copying the work. The essence of a licence is that it is a permission given to the licensee to perform an act or acts (copying) which would otherwise have been unlawful as an infringement of the copyright. That permission is, however, a conditional permission, which is to say, subject to the conditions contained in the licence. Therefore, the granting of a licence by the licensor falls to be seen not as a process by which he gains contractual rights (which, indeed, might require to be the subject of separate assignment) but rather as a process by which he surrenders rights (specifically the right to prevent copying) though that is, as explained, a conditional surrender of those rights.

In other words the licensor’s rights under the licence are not an *addition* to his rights, but are in the form of the conditions attaching to a *subtraction* from his rights. Put another way: the action is an action not for breach of *the licence*, but rather for breach of *copyright*. The copyright owner can pursue it because, by breaching the conditions attached to the permission, the licensee can no longer claim the protection of the permission.

When the original granter of the licence grants an assignment of his copyright, he plainly cannot do so other than subject to the terms of the licence, (*nemo dat quod non habet*), which is to say subject to the conditional permission, and the corollary is that the licensee cannot sever the permission from its conditions.

The bottom line is that the copyright owner’s right is a matter of proprietary right and not personal contractual right.

Curiously, there does not appear to have been any previous reported case in the field of copyright in which the matter has been expressly addressed, but there is a ready analogy with

the right of a Landlord under a Lease, which, being a proprietary right runs with ownership of the property and does not need to be the subject of separate assignation.

Commenting on this argument, Lord Kingarth said that given his interpretation of the documents it was:

“... unnecessary to form a concluded view on counsel for the pursuers' proposition that this result would, in any event, have flowed from transfer of ownership in the copyright, but I found his submission on this matter to be entirely persuasive.”

The point might appear to be an obvious one, though it does not hitherto appear to have been the subject of express consideration, and it is obviously a point which is in danger of being lost sight of in the whole GPL licensing debate.

The logic of the decision as it potentially applies to Open Source Licensing is that each licensee gets a conditional permission to copy and those conditions run with the property itself, so, of course, cascade down the chain, and there is no way that a subsequent user can enlarge upon the property right by ignoring the conditions. Trying to explain the grandfathering problem in terms of contract law misses the point, for there is no point in seeking to what are, in substance, real proprietary rights an analysis relying upon personal contractual rights

The answer, then, to the question "how's your grandfather?" is "a whole lot better than you might previously have thought".

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