United States Court of Appeals for the Federal Circuit

BITMANAGEMENT SOFTWARE GMBH,
Plaintiff-Appellant

v.

UNITED STATES,
Defendant-Appellee

2020-1139

Appeal from the United States Court of Federal Claims in No. 1:16-cv-00840-EJD, Senior Judge Edward J. Damich.

Decided: February 25, 2021

ADAM RAVIV, Wilmer Cutler Pickering Hale and Dorr LLP, Washington, DC, argued for plaintiff-appellant. Also represented by BRENT GURNEY; MARK CHRISTOPHER FLEMING, Boston, MA.

SCOTT DAVID BOLDEN, Commercial Litigation Branch, Civil Division, United States Department of Justice, Washington, DC, argued for defendant-appellee. Also represented by JEFFREY B. CLARK, GARY LEE HAUSKEN, PATRICK C. HOLVEY; RICHARD JAMES HUBER, Office of General Counsel, United States Department of the Navy, Washington

Navy Yard, DC; ANDREW PAUL ZAGER, United States Navy, Alexandria, VA.

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Before NEWMAN, DYK, and O'MALLEY, *Circuit Judges*.

Opinion for the court filed by *Circuit Judge* O'MALLEY.

Concurring opinion filed by *Circuit Judge* NEWMAN.

O'MALLEY, *Circuit Judge*.

In 2013, the United States Navy ("Navy"), through the Naval Facilities Engineering Command ("NAVFAC"), copied BS Contact Geo version 8.001, copyrighted graphics-rendering software created by German company Bitmanagement Software GmbH ("Bitmanagement"), onto all computers in the Navy Marine Corps Intranet. No express contract or license agreement authorized the Navy's actions. In 2016, Bitmanagement filed a complaint against the government in the United States Court of Federal Claims ("Claims Court"), alleging copyright infringement pursuant to 28 U.S.C. § 1498(b). After trial, the Claims Court found that, while Bitmanagement had established a prima facie case of copyright infringement, the Navy was not liable because an implied license permitted it to make the copies. *See Bitmanagement Software GmbH v. United States*, 144 Fed. Cl. 646 (2019). Bitmanagement appeals from that decision.

We do not disturb the Claims Court's findings. The Claims Court ended its analysis of this case prematurely, however, by failing to consider whether the Navy complied with the terms of the implied license. The implied license was conditioned on the Navy using a license-tracking software, Flexera, to "FlexWrap" the program and monitor the number of simultaneous users. It is undisputed that the Navy failed to effectively FlexWrap the copies it made and,

thus, that Flexera tracking did not occur as contemplated by the implied license. The Navy's failure to comply creates liability for infringement. We therefore vacate the Claims Court's decision and remand for a calculation of damages.

I. Background

A. The Parties and the Software

Bitmanagement develops software for rendering three-dimensional graphics. Peter Schickel, CEO, and Alex Koerfer, Financial Officer, co-founded the company in 2002. One of Bitmanagement's products is BS Contact Geo, a three-dimensional visualization program, which Bitmanagement first released in 2006. BS Contact Geo enables the visualization of geographic information in third-party hardware and software products. It renders realistic terrain and city models and allows a user to position virtual objects using geographic coordinates.

Bitmanagement primarily licenses its software via "PC" or "seat" licenses, which allow one installation of the software onto one computer per license. Each copy of the BS Contact Geo software includes both a desktop executable file ("EXE version") and a web browser plugin file ("OCX version"). The EXE component launches the software as a standalone application whereas the OCX component launches the software within a web browser.

In 2005, Bitmanagement began working with David Colleen, CEO of software reseller Planet 9 Studios, Inc. ("Planet 9"), to market and sell Bitmanagement's products in the United States. Bitmanagement and Planet 9 executed a Finder's Fee Agreement, which provided "for support of the sales activities of [Bitmanagement] and for the sole compensation of [Planet 9] in respect of [its] activities regarding support of [Bitmanagement] sales activities" and clarified Planet 9 was "neither entitled to represent [Bitmanagement] in any legal or other transaction nor to make any binding or nonbinding statement o[n] behalf of

[Bitmanagement].” J.A. 10057–58 ¶ 36. Planet 9 was typically compensated for reselling Bitmanagement's software with a commission pursuant to a reseller agreement attendant to each sale.

The Navy began development of SPIDERS 3D, “a web-based platform that provides a virtual reality environment for NAVFAC engineers and technicians to view and optimize configurations of Navy installations, bases, and facilities,” in 2006. *Bitmanagement*, 144 Fed. Cl. at 649. SPIDERS 3D is located on NAVFAC's internal enterprise portal and is thus only accessible to individuals with a Department of Defense Common Access Card or NAVFAC-sponsored access permissions. SPIDERS 3D requires a three-dimensional visualization software to provide visualization of Naval facilities. To fulfill this need, Alex Viana, a NAVFAC deputy program manager, approached Colleen from Planet 9, who recommended Bitmanagement's BS Contact Geo.

Thereafter, the Navy purchased copies of the Bitmanagement BS Contact Geo system, through intermediary Planet 9, on three occasions: one copy purchased in 2006 for $990, 100 copies purchased in 2008 for $30,000, and 18 copies purchased in 2012 for $5,490. Each transaction was embodied in a written contract that included the corresponding number of PC seat licenses, as we next discuss.

B. 2006 Purchase

In September 2006, the Navy purchased, for testing purposes, one PC license of BS Contact Geo version 7.000 from Planet 9 for $990. To accomplish the transaction, Bitmanagement and Planet 9 executed a software license agreement wherein Bitmanagement conferred “1 PC license” to Planet 9 as the licensee and permitted Planet 9 “to resale [sic] and/or to provide these licenses of BS Contact Geo to [NAVFAC].” J.A. 5097. The agreement specified that the license “shall be enabled by the Licensor for

PC with computername '……………………….' (to be mutually agreed upon)." *Id.*

Thereafter, Viana advised Planet 9 of an issue with Bitmanagement's default licensing scheme. In November 2006, Colleen relayed the message to Bitmanagement, explaining that Bitmanagement's default licensing scheme was incompatible with the Navy's secure intranet because the Navy could not approve BS Contact Geo if, as was Bitmanagement's normal practice, the end user would be required to contact Bitmanagement for a license key in order to use the program on a particular computer. Schickel responded on behalf of Bitmanagement that Bitmanagement was "open for any licensing scheme that suits the US Navy better" and was "willing to do [its] utmost to enable [another] licensing functionality, if requested." J.A. 6986. In an email to Schickel and Colleen, Viana responded that the Navy needed a copy of BS Contact Geo that included the license key and that was not PC-specific because the Navy did not know "what machine(s) the application will be tested on." J.A. 6985. Viana also noted that the Navy anticipated needing "an initial 15 licenses, with a potential for as many as 100 or more licenses later on." *Id.* In response, Bitmanagement, through intermediary Planet 9, provided BS Contact Geo to the Navy with two licensing keys that were not PC specific.

In May 2007, at the Navy's request, Bitmanagement provided the Navy with a "silent installer for BS Contact Geo intended for bulk installations," which, Schickel explained, was "helpful for an administrator to do installations on a large scale even on remote computers connected via intranet or internet." J.A. 5736.

C. 2008 Purchase

In February 2008, the Navy submitted to Planet 9 a $30,000 purchase order ("the 2008 Navy Purchase Order") for 100 seat licenses of BS Contact Geo. Attendant to that purchase, Bitmanagement and Planet 9 executed a second

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