

The Federal Circuit Reverses Google's Win on Its Fair Use Defense in Oracle's Copyright Infringement Suit Concerning Java Software API Packages

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Last week, in *Oracle America, Inc. v. Google LLC*, Nos. 2017-1118, 1202 (Fed. Cir. March 27, 2018), the U.S. Court of Appeals for the Federal Circuit held that Google's unauthorized use of certain aspects of Oracle's Java software was not fair use. In doing so, the Federal Circuit vacated a jury verdict, and remanded the case back to the district court for a trial on damages.

The decision is noteworthy for several reasons. First, there will be billions of dollars at stake in damages in the trial on remand (Oracle claimed \$8.8 billion in damages at the original trial). Second, the Federal Circuit's opinion cautioned against an expanded role for the jury in determining fair use. Third, the decision appears to be part of a trend of copyright opinions favoring the rights of content providers over technical innovators. Finally, the decision is also notable because it avoided Google's most interesting fair use argument: interoperability.

Background

Oracle owns copyrights in software related to Java, a computer platform that allows a programmer to write one code and have it run almost anywhere, including smart phones. This software includes "application programming interfaces," or "API packages," elaborately organized collections of pre-written source code shortcuts for certain common tasks. The API packages have two kinds of code: (1) "declaring code," a relatively short header identifying a task to be performed; and (2) "implementing code," the step-by-step instructions telling the computer how to execute that task. For example, the declaring code identifies the task "find the greater of two numbers," and the implementing code tells the computer how to find the greater of two numbers.

The Java programming language itself is free for anyone to use, but Oracle insists programmers take a license if they are going to use the APIs in a competing platform. Back in 2005, Google tried to license the API packages from Oracle for Google's Android platform, but the parties couldn't agree on terms. Google decided to create its own packages instead, and wrote millions of lines of its own implementing code. However, in order to make things easier for programmers already familiar with Java, Google copied from Oracle the declaring code contained in 37 of the 166 existing API packages – about 10,000 lines of code in all.

Procedural Posture

Oracle sued Google for patent infringement and copyright infringement in the Northern District of California in 2010. After a trial in 2012, the jury found no patent infringement. On the copyright count, the jury found that Google had committed infringement, but were deadlocked on Google's affirmative defense of fair use. *Oracle Am., Inc. v. Google Inc.*, 750 F.3d 1339, 1347 (Fed. Cir. 2014). The district court judge put the verdict aside, on the ground that the API declaring codes were not subject to copyright protection in the first place. *Oracle Am., Inc. v. Google Inc.*, 872 F. Supp. 2d 974 (N.D. Cal. 2012). On appeal, the Federal Circuit¹ reversed, holding that the API declaring code was protected by copyright. 750 F.3d at 1381. The Federal Circuit remanded the matter for more proceedings on the issue of fair use.

On remand to the Northern District of California, in 2016, a new jury found that Google's copying of the Oracle programming was fair use. This time, the district court judge declined to throw out the jury verdict, denying Oracle's motion for judgment as a matter of law. Oracle appealed again to the Federal Circuit.

Federal Circuit Decision

The Federal Circuit's analysis begins with a detailed articulation of its view of the proper place for a jury in a fair use determination. The court described fair use as a mixed question of law and fact, but one that as a practical matter is often more law than fact, especially in light of its equitable roots. The jury gets to determine only disputed "historical facts." For example, if the parties hadn't been able to agree whether Google copied 36 API packages or 37 API packages, that would be an appropriate question to submit to the jury. But other than that, according to the Federal Circuit, it is for the court to decide which legal standards govern, and to apply those legal standards to the

facts. The effect of this analysis is that the jury's findings related to fair use were "advisory" only, and the Federal Circuit's standard of review on the question of fair use was more or less *de novo*.

The Federal Circuit's Fair Use Analysis

The Federal Circuit applied the familiar four-factor fair use test set forth at 17 U.S.C. § 107, as informed by the governing case law from the Ninth Circuit.

- **Purpose and Character of the Use.** The first factor, the purpose and character of the use, is usually divided into two elements: (1) whether the use is commercial; and (2) whether the use is transformative. Here, the court stated that the essential commercial nature of Google's operation was undisputed. The court also found that it was not "transformative," in other words, it did not add something new such that the work has a different purpose or character than the original, rather than merely superseding the original. Google, argued that its use of the code in smartphones rather than desktop computers was contextually transformative, but the Federal Circuit held that Google ultimately was using the copied declaring code for the same basic purpose as Oracle – to help developers create Java programs.
- **Nature of the Copyrighted Work.** The second factor is the nature of the copyrighted work, which recognizes that some works (e.g., creative fiction) are closer to the core of intended copyright protection than others (e.g., factual compilations). The closer a work is to that intended core protection, the less likely the use will be a fair one. The Federal Circuit affirmed the lower court's view that this consideration favored "fair use," but noted that the second element is rarely "significant in the overall fair use balancing."
- **Amount and Substantiality of the Portion Used.** The third factor examines how much of the infringed work was used in the infringing work, and whether what was copied was qualitatively important. Google argued that it copied only a small percentage of Java language (11,500 lines of declaring code out of nearly 3 million lines of code in the Java library), but the Federal Circuit held that no reasonable jury could find that what Google copied was not qualitatively significant.
- **Effect on the Potential Market.** The fourth factor, the effect of the use upon the potential market of the copyrighted work, reflects the notion that fair use should be limited to uses that don't usurp the original work's market. Google argued that the parties were in different markets – smart phones versus software for desktops. But the Federal Circuit held that, even if those were different markets, the evidence of actual and potential market harm was "overwhelming," including Oracle's previous and planned forays into the smartphone market; and the fact that Google's actions were driving down the market price for the Java license.

Balancing the factors as analyzed above, the Federal Circuit determined that the overall balance tipped against fair use. Notably absent from this balancing was Google's assertion that it borrowed only what was necessary to foster "interoperability" and "avoid confusion among Java programmers as between the Java system and the Android system." The Federal Circuit acknowledged that it had been intrigued by this argument back in 2014, but asserted that Google's actual acts were not keeping pace with its lawyers' advocacy on this issue. According to the Federal Circuit, Google itself was not fostering interoperability; in fact, it was intentionally designing its Android system to be incompatible with other platforms using Java.

Google will almost certainly seek further review of the Federal Circuit's analysis of the fair use question, so this will not be the final word, even in the *Oracle v. Google* battle. In fact, it is likely that Google will seek en banc rehearing of the Federal Circuit decision, and/or petition for certiorari at the Supreme Court, before submitting to trial on remand.

Status of the Fair Use Defense in Copyright Cases

The Federal Circuit opinion itself commented that its holdings were confined to this case, and did "not conclude that a fair use defense could never be sustained in an action involving the copyright of computer code." But it's difficult not to see this case also as part of trend of recent copyright disputes in which courts have favored the rights of content owners over the creators of technical innovations designed to use content without permission. This trend includes the Supreme Court's decision in *American Broadcasting Companies, Inc. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014) (where the Supreme Court declared that an antenna array specifically intended to avoid technical infringement of the public performance right was nevertheless unlawful); and fair use cases like *Fox News Network, LLC v. TVEyes, Inc.*, 883 F.3d 169 (2d Cir. 2018) (where the Second Circuit held that the use of broadcast news feeds to create a searchable database of news was not fair use).

Perhaps the lesson from these cases is that we should not assume that a technology is "transformative" for copyright purposes just because it has transformed our lives. Here, even though Google used Oracle's code in service of a host of culturally transforming products, the Federal Circuit concluded that it did not make a "transformative" use of Oracle's code.

1. The appeal of a decision in a copyright case from a federal court in California would ordinarily be heard by the United States Court of Appeals for the Ninth Circuit. But because the case originally included patent claims, the Federal Circuit has appellate jurisdiction over all issues in the case pursuant to its jurisdictional statute, 28 U.S.C. § 1295(a). Nevertheless, the Federal Circuit was still obliged to apply the substantive copyright law of the Ninth Circuit.

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