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Federal Circuit Again Reverses California Court in Oracle-Google Copyright Dispute Over Java APIs – Releases a Major Ruling on Fair Use in the Software Context

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In this long-running dispute that has been previously dubbed “The World Series of IP cases” by the presiding judge, Oracle America Inc. (“Oracle”) accuses Google Inc. (“Google”) of unauthorized use of some of its Java-related copyrights in Google’s Android software platform. Specifically, Oracle alleges that Google infringed the declaring code of certain Java API packages for use in Android, including copying the elaborate taxonomy covering 37 packages that involves multiple classes and methods. Google had declined to obtain a license from Oracle to use the Java APIs in its platform or license the same under an open source GPL license; instead it copied the declaring code from the 37 Java API packages (over 11,000 lines of code), but wrote its own implementing code. Google designed it this way, believing that Java application programmers would want to find the same 37 sets of functionalities in the new Android system callable by the same names as used in Java.

The case has wended its way through two jury trials, multiple lower court rulings and now two trips to the Federal Circuit (Oracle's complaint previously included patent claims). Over the years, the parties have wrestled over not only whether the declaring code and the structure, sequence and organization (SSO) of the Java API packages are entitled to copyright protection (the Federal Circuit ruled in 2014 that they are copyrightable) but also whether Google's unauthorized copying of the declaring code and SSO of the 37 Java API packages to use with Google's own original implementing code for its Android operating system constituted fair use. At the first trial, a jury ruled that Google infringed Oracle's copyrights in the Java platform, but deadlocked on fair use (the lower court subsequently ruled that the API packages were not copyrightable and entered judgment for Google, a ruling that was reversed by the Federal Circuit). At a second trial, the jury ruled that Google's use of the declaring lines of code and the SSO of the 37 API packages constituted fair use, and the lower court denied Oracle's motion to set aside the verdict.

In a blockbuster ruling, the Federal Circuit overturned the jury verdict and ruled, as a matter of law, that Google's use of the Java API packages was not fair use, and remanded for a trial on damages, with Oracle having previously sought a multibillion dollar award. (*Oracle America, Inc. v. Google LLC*, No 2017-1118 (Fed. Cir. Mar. 27, 2018)). While the court made clear that a fair use defense is possible in an action involving the copying of computer code, it held that under these facts, Google's copying and use of the API packages was not "transformative" ("There is nothing fair about taking a copyrighted work verbatim and using it for the same purpose and function as the original in a competing platform"). Also, the court downplayed the fact that the functional nature of the Java API packages, though favoring a finding of fair use, was not dispositive in the final analysis or more pertinent to other factors, such as transformativeness.

The decision has reverberated around the technology sector, with some touting the decision's protection for creators of computer code and intellectual property in general and others who decry that the decision upends years of standard practice in the software industry and will necessarily inhibit the development of new programs and result in higher prices for consumers. Open source software advocates also criticized the ruling as impeding innovation, citing the importance of allowing the reuse of APIs to enable the interoperability of open source programs with existing, proprietary software.

Some highlights from the fair use analysis:

- Regarding the first factor, the purpose and character of use, the court ruled that Google's use of the code was "overwhelmingly commercial" in nature (even though the Android mobile operating system is open source and free to use), as the company stood to profit from exploiting the copyrighted material without paying a licensing fee ("The fact that Android is free of charge does not make Google's use of the Java API packages noncommercial"). As to transformative use, the court found that Google's use did not alter the original with new expression, meaning, or message or serve a new purpose distinct from that of the original work, rejecting the argument that because Google chose only a selected number of Java API packages and added new implementing code, Android was a "fresh context." ("The relevant question is whether Google altered 'the expressive content or message of the original work' that it copied—not whether it rewrote the portions it did not copy.") In the court's mind, Google used the API packages for the same purpose they were designed for, thus negating a finding of transformative use. Moreover, even though Google incorporated the APIs into a new medium (i.e. smartphones), the court noted that moving material to a new context is not necessarily transformative, and held that under applicable law, a use is considered transformative "only where a defendant changes a plaintiff's copyrighted work or uses the plaintiff's copyrighted work in a different context such that the plaintiff's work is transformed into a new creation."
- As to factor two, the nature of the copyrighted work, the court found the functional nature of the API packages favors a finding of fair use, but stated that this fair use factor is typically not significant in the overall fair use balancing test.
- The court deemed factor three, which concerns the amount of the work used, as neutral. While Google argued that it only copied an insignificant portion of the entire Java code, the court found that no reasonable jury could have concluded that what was copied was "qualitatively insignificant."
- The fourth factor, the effect upon the potential market, was the turning point of the analysis. While the lower court had held that the jury could have found that use of the APIs for Android caused no harm to Oracle's market for desktop and laptop computers, the Federal Circuit found that the evidence indicated that "Android competed directly with Java SE in the market for mobile devices," and thus sufficient to undercut Google's argument of a lack of market harm. The court reasoned that even if there were a dispute about whether Oracle was in fact licensing Java SE in smartphones at the time Android launched, "fair use focuses on potential, not just actual, market harm" and Oracle did not have to develop its own smartphone device for Google to harm its potential market to license its software to others.

At this point, Google could request a rehearing *en banc* before the entire Federal Circuit or file a petition for certiorari with the Supreme Court, which had previously declined to hear an appeal of the 2014 Federal Circuit ruling on the copyrightability of the Java API packages. Several big fair use cases have been decided by circuit courts in recent years – with some diverging results – so perhaps the high court will take the opportunity to weigh in, clarifying the scope of "transformative" use and how the fair use doctrine should be applied in the software or technology contexts.

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