

The Federal Circuit Resurrects Oracle's Multibillion Dollar Copyright Claim against Google, Narrowing The Fair Use Doctrine for Software

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On March 27, the United States Court of Appeals for the Federal Circuit reversed the district court's finding that Google's use of Java APIs in its Android operating system was fair use, resurrecting Oracle's multibillion dollar copyright claim. In what will be a landmark ruling if upheld, a three-judge panel of the court sharply limited the jury's role in deciding fair use cases and materially narrowed the fair use doctrine in the software context.

Background

In 2010, Oracle sued Google for copyright infringement, claiming that Google copied several elements of Oracle's Java APIs and incorporated them into its Android operating system. In May 2012, a jury found that Google had used Oracle's copyright-protected software without permission, but was unable to reach a unanimous verdict on the issue of fair use. In post-trial motions, the district court avoided the fair use issue, finding that the APIs were not copyright eligible. It entered final judgment in Google's favor and Oracle appealed. In May 2014, a panel of the Federal Circuit reversed, finding the APIs copyrightable and remanding for further consideration of the fair use issue. *Oracle Am., Inc. v. Google Inc.*, 750 F.3d 1339 (Fed. Cir. 2014).

In May 2016, the district court held a second jury trial to resolve the fair use issue. This time, the jury found that Google's use of Oracle's code was a fair use. The district court again entered final judgment in Google's favor, and Oracle again appealed. On March 27, 2018, the same three-judge panel reversed the district court for a second time and remanded for a trial on damages. *Oracle Am., Inc. v. Google Inc.*, Case No. 1017-1118 (Fed. Cir. March 27, 2018) ("*Oracle II*").

Fair Use and the Jury

In *Oracle II*, the court began its analysis with a detailed discussion of the standard of review and the subsidiary question of what, if any, aspects of the fair use inquiry are factual in nature and thus for a jury to decide. Applying Ninth Circuit law, the court concluded that fair use is a mixed question of law and fact such that the jury's role "is limited to determining disputed 'historical facts,' not the inferences or conclusions to be drawn from those facts." *Oracle II* Slip Op. at 24. In the fair use context, such facts include the "'origin, history, content, and defendant's use' of the copyrighted work." *Id.* at 21–22. The court recognized, however, that these historical facts are rarely disputed in fair use cases. *Id.* at 22. In such cases, fair use can be decided by the court alone. *Id.* at 24.

The court emphasized that, because the ultimate question of whether the use is fair is a question of law for the court, it is reviewed *de novo*. *Id.* at 21. Indeed, the court made clear that "[a]ll jury findings relating to fair use other than its implied findings of historical fact must . . . be viewed as advisory only." *Id.* at 26. In this way, the court established a standard similar to that applied to obviousness in the patent context. *Id.* at 25 fn. 4. And, because the fair use inquiry generally turns on the inferences drawn from the historical facts rather than the historical facts themselves, the court proceeded to conduct a largely *de novo* review of the jury's fair use finding.

Google's Unfair Use

In analyzing whether Google's copying of Oracle's Java API constituted fair use, the court walked through the four traditional fair use factors: (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used; and (4) the effect upon the potential market. Of particular interest, the court found that even though Google's Android software was distributed for free under an open source license, the court found that the nature of the use was overwhelmingly commercial, reasoning that it supported Google's overall ad-revenue and that repeated distribution, even for free, can be commercial when it is distributed without paying the copyright holder's customary price. *Id.* at 30. And, while the functional nature of the APIs weighed in favor of a finding of fair use, the court held that "allowing this one factor to dictate a conclusion of fair use" would negate copyright in software and thus the factor has "less significance to the overall analysis." *Id.* at 44. Ultimately, the court found that Android's release prevented Oracle from participating in the smartphone market and that "[t]his superseding use is inherently unfair." *Id.* at 54.

The court concluded by noting that it had not held that a fair use defense could never be sustained in an action involving the copying of computer code. *Id.* However, by emphasizing the commercial purpose of software distribution even in an open source environment, and de-emphasizing the functional nature of the copyrighted work, the court appears to have materially narrowed the applicability of the fair use doctrine to software.

Google now has the opportunity to request further review by the Federal Circuit *en banc*, and ultimately by the Supreme Court. We will follow up with additional information should there be any further significant developments.

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