ARE Copyright Law Alert:
Federal Circuit Panel Holds Google's Use of Oracle's Java API Packages Does Not Constitute Fair Use Under 17 U.S.C. § 107

Author(s): Charles R. Macedo, David P. Goldberg, Christopher Lisiewski

On March 27, 2018, a three-judge panel of the United States Court of Appeals for the Federal Circuit ("Federal Circuit") issued a ruling in *Oracle America, Inc. v. Google LLC*, No. 17-1118 (Fed. Cir. Mar. 27, 2019). The Court reversed the district court's decision and held that "Google's use of the 37 Java API packages was not fair as a matter of law." Slip op. at 55.

The doctrine of fair use, codified by the 1976 Copyright Act, provides in part:

In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include-

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107.

The *Oracle* decision addressed an important question regarding the doctrine of fair use as related to computer programming: whether the district court erred in determining that Google's inclusion of 37 of Oracle's 166 Java Application Programming Interface ("API") packages in the Android operating system for smartphones and other devices was a fair use under 17 U.S.C. § 107. The Federal Circuit reversed the district court and found that Google's actions do not constitute a fair use. Slip op. at 55.

The background of the dispute is extensive and involves Google's inclusion of 37 of Oracle's 166 Java APIs in the Android operating system for smartphones and other devices. *Id.* at 8-9. The Java APIs are a collection of declarations of pre-written Java source code programs that allow Java programmers to use prewritten code to build certain functions into their own programs rather than write code to perform those functions from scratch. *Id.* at 8. At the first trial, the jury found that Google's incorporation of 37 Java APIs into the Android operating system infringed Oracle's copyright, but was deadlocked on whether it was fair use. *Id.* at 6. After the verdict, the district court also found that the APIs were not copyrightable. *Id.* The Federal Circuit reversed that decision, and held that the structure, sequence, and organization of the Java APIs are entitled to copyright protection. *Id.* The case was remanded on the question of whether Google's use of a subset of the Java APIs constituted a fair use. *Id.* On remand, the district court submitted the question of fair use to the jury, and the jury found that Google's use of the subset of the Java APIs was fair use. *Id.* at 7.

On appeal here, Oracle argued that each of the four statutory factors weighed against a finding of fair use. Specifically, Oracle submitted that: "(1) the purpose and character of Google's use was purely for commercial purposes; (2) the nature of Oracle's work is highly creative; (3) Google copied 11,330 more lines of code than necessary to write in a Java language-based program; and (4) Oracle's customers stopped licensing Java SE and switched to Android because Google provided free access to it." *Id.* at 17-18.

The first factor of the fair use analysis examines the purpose and character of the use. The Federal Circuit simply was not convinced that Google's use of the API packages was "anything other than overwhelmingly commercial." *Id.* at 30. In February, Amster, Rothstein & Ebenstein represented amicus curiae New York Intellectual Property Law Association ("NYIPLA") who filed a brief in support of neither party ("NYIPLA Br."). The brief argued that the Federal Circuit should reject the district court's rationale in holding that a reasonable jury could have found transformative use under the first fair use factor simply because of a change in "context." NYIPLA Br. at 7-19. The Federal Circuit supported the NYIPLA's arguments and found that Google's use of Oracle's APIs was not "transformative" as a matter of law. Slip op. at 38. Specifically, the Court cited to the NYIPLA's amicus brief asserting "where, as here, the copying is verbatim, for an identical function and purpose, and there are no changes to the expressive content or message, a mere change in format (e.g., from desktop and laptop computers to smartphones and tablets) is insufficient as a matter of law to qualify as a transformative use." *Id.* at 38-39 (citing NYIPA Br. at 17-20). Another relevant consideration under the first fair use factor is whether the defendant acted in bad faith. "[E]ven assuming the jury was unpersuaded that Google acted in bad faith, the highly commercial and non-transformative nature of the use strongly support the conclusion that the first factor weighs against a finding of fair use." *Id.* at 42.

The second factor of the fair use analysis looks at the nature of the work and whether the work is informational or creative. Under this factor, the Court found that reasonable jurors could have concluded that the functional nature of the APIs is substantial and important. *Id.* at 44. "Although it is clear that the 37 API packages at issue involved some level of

creativity . . . reasonable jurors could have concluded that functional considerations were both substantial and important. Based on that assumed factual finding, we conclude that factor two favors a finding of fair use." *Id.*

The third factor of the fair use analysis considers the amount and substantiality of the portion used. The parties stipulated that only 170 lines of code were necessary to write in the Java language. *Id.* at 46. Google copied about 11,500 lines of code. *Id.* The Court found that "[e]ven assuming the jury accepted Google's argument that it copied only a small portion of Java, no reasonable jury could conclude that what was copied was qualitatively insignificant, particularly when the material copied was important to the creation of the Android platform." *Id* . at 47. Thus, the Court determined that the third factor was "at best, neutral in the fair use inquiry, and arguably weighs against such a finding." *Id.* at 48.

The fourth and final factor of the fair use analysis examines the effect on the potential market. The Supreme Court previously identified the fourth factor as "undoubtedly the single most important element of fair use." *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 (1985). "In evaluating the fourth factor, courts consider not only harm to the actual or potential market for the copyrighted work, but also harm to the market for potential derivative uses, including those that creators of original works would in general develop or license others to develop." Slip op. at 50. The Court agreed with Oracle that "evidence of actual and potential harm stemming from Google's copying was overwhelming." *Id.* at 52. It pointed out that Android competed directly with Java. *Id.* at 51. Even though Java had been in use for years in mobile devices prior to the release of Android, Android became used as a substitute or used by licensees to negotiate a steep discount. *Id.* at 51-52. Furthermore, although Oracle did not develop a smartphone platform, that fact is irrelevant, because "a market is a potential market even where the copyright owner has no immediate plans to enter it or is unsuccessful in doing so." *Id.* at 53. The Court concluded that Google's "unrestricted and widespread conduct" would lead to "a substantially adverse impact on the potential market for the original" and its derivatives." *Id.* (internal quotations omitted). Therefore, the Court found that 'the fourth factor weighs heavily in favor of Oracle." *Id.*

Upon examining all four factors together, the Court found that Google's copying did not constitute a fair use. "Although Google could have furthered copyright's goals of promoting creative expression and innovation by developing its own APIs, or by licensing Oracle's APIs for use in developing a new platform, it chose to copy Oracle's creative efforts instead. 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." *Id.* at 54. The Court was quick to note that it "[did] not conclude that a fair use defense could never be sustained in an action involving the copying of computer code." *Id.* Ultimately, the Federal Circuit "reverse[d] the district court's decisions denying Oracle's motions for JMOL and remand[ed the case] for a trial on damages." *Id.* at 55.

We will continue to monitor developments of this case on remand and the law on fair use as applied to computer programming. In the meantime, please feel free to contact one of our

attorneys regarding the issues raised by this case.

* Charles R. Macedo is a Partner, David Goldberg is an Associate, and Christopher Lisiewski is a Law Clerk at Amster, Rothstein & Ebenstein LLP. Their practice focuses on all facets of the intellectual property law, including patent, trademark and copyright. Messrs. Macedo and Goldberg represented the NYIPLA as an amicus in this case. Mr. Goldberg also serves as Co-Chair of the NYIPLA Amicus Brief Committee. They may be contacted at cmacedo@arelaw.com, dgoldberg@arelaw.com , and clisiewski@arelaw.com.