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THIRD PARTY SOFTWARE VENDORS: BE SURE YOUR SERVICES DO NOT CONSTITUTE COPYRIGHT INFRINGEMENT

By Jennifer T. Poochigian

Some software, such as Oracle and SaaS, is so complex that companies hire consulting firms to program and maintain the software. A question arises as to whether a maintenance company violates the software license agreement and copyright if the maintenance company copies the software in order to provide maintenance. The short answer is yes, according to the 9th Circuit's recent decision in *Oracle USA Inc. v. Rimini Street Inc.*

Rimini provides software support for Oracle products. In providing maintenance, Rimini used a copy of an Oracle update obtained by one of its customers to provide services to other customers. Oracle sued Rimini Street for copyright infringement and related claims. The jury found in favor of Oracle and entered judgment against Rimini under California's Unfair Competition Law for roughly \$50 million for improperly downloading and using Oracle's copyrighted software (interest, costs, and attorney's fees increased the award up to roughly \$120 million). A permanent injunction was also granted. Rimini appealed.

On appeal, two main issues in dispute were analyzed: Whether Rimini copied Oracle's software in a manner that

infringed on Oracle's copyright and whether Oracle was misusing its copyright to prevent competition for third party maintenance. While it was undisputed that Rimini used the software to develop and test updates for its own customers (Oracle's licensees were entitled to hire Rimini to perform work for them), Rimini would not restrict its use of the update for its customer with a lawful Oracle license. Instead, Rimini would also use the software to provide updates to some of its existing customers (without lawful licenses) or for unknown or future customers (rather than restricting copying to work for that particular customer). The court found that this "cross-use" amounted to copyright misuse and Rimini was acting in excess of the scope of the licenses held by its customers. More simply stated, the copying of software should have been restricted to work only for that particular customer.

As to Rimini's contention that Oracle was misusing its copyright to prevent competition in the aftermarket for third party maintenance, Rimini claimed that the copyright misuse doctrine prohibits copyright holders from leveraging their monopoly to allow control over areas outside the monopoly, and here, Oracle was

stifling competition. The court rejected this argument, concluding Oracle did nothing wrong by requiring third party maintenance vendors to comply with their own copyrights.

This ruling is an excellent reminder to third party software vendors to be cautious of whether their proposed services run afoul of the software owner/developer's copyright interests. Every company should take steps to assure that the software it is using is properly licensed and that updates and maintenance are provided using properly licensed products.

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