CLIENT ALERTS & INSIGHTS

Oracle v. Rimini Ruling Shows Importance of Clarifying Consultants' Rights in IT Agreements

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Oracle USA, Inc. ("Oracle") brought suit against Rimini Street, Inc. ("Rimini"), a software support-services provider. Rimini offers licensees of Oracle products a secondary source for support of Oracle applications. In the case at issue, Oracle alleged, among other causes of action, that Rimini's copying and use of Oracle programs onto Rimini's own computer systems (in order to create development environments used to provide support to Rimini's customers) was an infringement of Oracle's copyrights. Rimini asserted many defenses, including express license, consent of use, and implied license.

Ruling on Oracle's motion for partial summary judgment on the copyright issue, the US District Court for the District of Nevada granted partial summary judgment in Oracle's favor with respect to several instances of use by Rimini, finding that certain of Oracle's license agreements with the customers at issue did not permit Rimini to copy and use the Oracle software on Rimini's systems. As to another license agreement the Court found that there was not enough factual evidence to make a determination at the summary judgment stage. Finally, the Court ruled in Rimini's favor as to one license agreement, determining that the language allowed Rimini to make copies for certain expressly permitted uses.

This mixed ruling only confirms what we've known for a long time - license agreements (and all IT agreements, for that matter) need to anticipate all possible uses by the licensee and need to be very clear in granting necessary rights.

Express License Defense

Rimini's first defense to Oracle's claims was that Oracle's software license agreement permitted Rimini to copy and use the Oracle software for the benefit of Rimini's clients. The Court (looking at the license agreement of one Rimini client, the City of Flint, Michigan) first clarified that that the origin of the copying (whether by download or from specific software installation media) did not affect the scope of the copyright as copyright law does not protect the installation media, but rather only the software that is contained on installation media. The Court then looked at whether Rimini had specific authorization under its client's agreement with Oracle to "copy" and to "use" the Oracle software. Rimini cited sections of Oracle's license agreement with the client permitting copying of the software, permitting modification of the software and permitting access to and use of the software to third-party service providers of the customer.

Looking at the language of Oracle's license agreement, the Court found that the license was unambiguous in allowing only the customer (and not its third-party agents like Rimini) to make copies of, and modify, the software, and that the license was also express in limiting additional copies to specific uses (of which creation of development environments was not one of the

permitted uses). Further, the Court found that the license was clear in limiting "use in accordance with the terms [of the license]" to "internal data processing operations at [the customer's] facilities" (while permitting reasonable off-site use for back-up purposes only and only on a back-up server controlled by the customer). The Court determined that the development environments created by Rimini for its customers were not for the customers' "internal data processing operations" and that the rights to copy and modify under the license agreement were expressly limited to the licensed customers.

The license agreement of the Rimini customer did permit "access to and use of" the Oracle software by third parties, provided that such use was to provide services to the customer concerning the customer's use of the software. Importantly, the license agreement did not give third-party service providers any right to copy the software. Here, the Court found that "[t]he right to access and use the licensed software is separate from a right to reproduce or copy the software and there is no evidence before the court that Rimini, as a third party service provider, cannot perform its contracted services without having its own copy of the software on its own systems." As a result, the Court found that Rimini had no express license defense permitting the copying of Oracle's software into development environments hosted by Rimini, even if those environments were only to be used for the benefit of Oracle's licensee.

Looking at another Oracle license agreement (for the client Pittsburgh Public Schools), the court found similar language and limitations, and even stronger limitations (such as an express prohibition on installation or copying by third-party service providers). The lack of a specific authorization for Rimini (or any other third-party service provider) to copy and install the software in Rimini's environment was again fatal to Rimini's defense.

Rimini's defense remains intact as to two other clients, where the Court found some language in Rimini's favor in Oracle's license agreements. Notably, the court did not grant summary judgment with respect to one client (Giant Cement) license agreement where it was unclear (from a factual standpoint) whether or not Rimini had ever accessed the source code of the software at issue in violation of the license. The license agreement at issue would permit Rimini to have a back-up copy in its possession, provided it did not access the source code for the software. Finally, the Court found that Rimini had a contract defense as to a fourth client, Novell, where the Oracle license agreement granted the customer the right "[t]o have third parties install, integrate, and otherwise implement the [software]" as permitted in the license agreement (which, in another provision, permitted the making of copies for archive or emergency backup purposes or disaster recovery and related testing."

Implied License Defense

Rimini also put forth a defense of implied license and consent by Oracle, arguing that Oracle had knowingly shipped Rimini copies of Oracle's software on behalf of customers for use by Rimini. The court found this argument unconvincing, as it required "assumption of Oracle's knowledge that the back-up copies of the installation media were being used to make copies of the licensed software on Rimini's systems [that was] not supported by the evidence." The Court found "no evidence that Oracle consented to or encouraged Rimini to use the shipped installation media to make copies of the software on Rimini's systems" and granted Oracle's motion for summary judgment as to the implied license defense as to all of the licensees' agreements.

Practical Takeaways From The Ruling

The takeaway from this ruling is clear - license agreements should be clear and specific regarding any permitted scope of use by third party consultants. License agreements should also address permitted use of the software in development (or other required) environments and at facilities other than the licensee's. Many times licensors will charge additional fees for use in additional environments or provide discounted fees for a non-production environment.

Most importantly, license agreements should account for any applications outsourcing or hosting by a third party provider. If appropriate, license agreements should expressly permit copying and hosting by third-party providers. Vendors may require restrictions (such as confidentiality agreements or limitations on the scope of use) in exchange for such permissions.

If you have any questions concerning this topic please do not hesitate to contact one of the following members of Benesch's Information Technology & Intellectual Property (3iP) Practice Group :

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