No. 18-877

IN THE

Supreme Court of the United States

FREDERICK L. ALLEN AND NAUTILUS PRODUCTIONS, LLC,

Petitioners,

v.

ROY A. COOPER, III, AS GOVERNOR OF NORTH CAROLINA, ET AL.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

BRIEF OF ORACLE AMERICA, INC. AS *AMICUS CURIAE* IN SUPPORT OF PETITIONERS

Karen Johnson-McKewan
Brian P. Goldman
Samuel Harbourt
Kayvan Ghaffari
ORRICK, HERRINGTON & SUTCLIFFE LLP
405 Howard Street
San Francisco, CA 94105

Kelsi Brown Corkran
Counsel of Record
ORRICK, HERRINGTON & SUTCLIFFE LLP
1152 15th Street, N.W.
Washington, DC 20005
(202) 339-8400
kcorkran@orrick.com

Counsel for Amicus Curiae

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES

Page(s)

Cases

Constitutional Provisions

Statutes

Legislative Authority

Other Authorities

INTEREST OF *AMICUS CURIAE*[1] AND SUMMARY OF THE ARGUMENT

Oracle, Inc., one of the world's largest software companies, has seen firsthand just how devastating state piracy can be when copyright owners lack effective copyright remedies. For many years, Oracle was locked in a battle with Oregon over whether Oracle had any remedy at all for the state's unlicensed use of millions of dollars' worth of software. Under the Copyright Remedy Clarification Act (CRCA), none of this should have been necessary; Congress expressly afforded innovators like Oracle a copyright remedy against infringement like Oregon's. This brief tells the story of this Oregon saga to illustrate why Congress's abrogation of state immunity for copyright actions is essential and should be respected.

Oracle is one of the 100 largest public companies in the world.[2] Among other things, it is the global leader in providing enterprise software—software that enables businesses and governments to manage their operations. Like many software companies, a big piece of Oracle's business is designing and providing information technology solutions for government projects at local, state, and national levels—so-called "GovTech." In 2017, Oracle was the second-largest

---

[1] The parties have consented to the filing of this *amicus* brief. No counsel for a party authored the brief in whole or in part. No party, counsel for a party, or any person other than *amici* and their counsel made a monetary contribution intended to fund the preparation or submission of the brief.

[2] *The World's Largest Public Companies*, Forbes, https://tinyurl.com/y3yhuld4.

provider of software to government customers. Albert Pang et al., *Top 10 Government Software Vendors and Market Forecast 2017-2022*, Apps Run The World, Jan. 17, 2019, https://tinyurl.com/y3gcom66. Such technology "help[s] to make government more efficient, transparent, and responsive to citizens," giving "citizens … [an] experience[] on par with the best consumer engagements" and "digital encounters" outside of government. Oracle, *Public Sector: State and Local*, https://tinyurl.com/y5chmhvh. So, everyone benefits when states work with private technology companies to create innovative tools that citizens can use to interact with their government.

Oracle's leading position in the software industry gives it a well-informed perspective on the importance of copyright protections to software innovation. And its experience with the growing "GovTech" sector in particular has exposed the enormous threat to innovation posed by eliminating remedies for state government copyright infringement. By express congressional design, and consistent with the Constitution's objective of "promot[ing] the Progress of Science and useful Arts," U.S. Const. art. I, § 8, cl. 8, copyright provides an incentive to innovate in the software industry, guaranteeing copyright owners the right to license and profit from their works. Critical to this regime are the Copyright Act's remedies to compensate and deter acts of infringement, including statutory damages. Any limit on these remedies threatens to undermine copyright's core constitutional objective of encouraging innovation.

North Carolina's challenge to the CRCA poses just such a threat. Without the CRCA's abrogation of

state sovereign immunity, the many software companies serving state governments are powerless to use the Copyright Act to protect against piracy of their software by state actors. Software companies have experimented with the only option open to them absent courts' willingness to enforce the CRCA: trying to secure licensing agreements that include Eleventh Amendment immunity waivers. This alternative, however, is illusory in practice. For many small software companies such as start-ups and solo-practicing developers, it is impossible to negotiate waivers because they lack sufficient leverage to pressure a state to agree. For the Oracles of the world—larger companies with software in high demand among government purchasers—immunity waivers are still hard to obtain and extremely burdensome to enforce.

Oracle learned this lesson the hard way when it agreed to develop software for Oregon as part of the state's attempt to launch a state-level health insurance exchange. To avoid uncertainty about Oracle's ability to enforce its copyrights in the software it provided, Oracle negotiated a clear Eleventh Amendment immunity waiver in its contracts with both the state and a public corporation called "Cover Oregon" that the state created to manage the project.

The waiver proved illusory. During a botched rollout marked by cost overruns, pervasive mismanagement, and ultimate abandonment of the project altogether, Oregon withheld millions of dollars in payments owed to Oracle, while continuing to use Oracle's proprietary software. Then, when Oracle filed a copyright suit to recover for the state's infringement, Oregon disavowed its immunity waiver. It argued,

among other things, that the language was not a clear waiver and, even if it was, the Assistant Attorney General who signed the contracts had no authority to waive immunity despite his signature representing the contrary.

The state legislature went even further, passing an emergency bill expressly designed to circumvent the consent to suit in federal court: The legislation dissolved Cover Oregon and substituted a state agency as the defendant in Oracle's suit, so that the state could argue that the waiver was unenforceable because the state agency had not itself agreed to it, and the public corporation had no immunity to waive. A federal district court ultimately accepted this argument and dismissed the claims relating to the Cover Oregon contract, despite the obvious injustice of the state's maneuver. *Oracle Am., Inc. v. Oregon Health Ins. Exch. Corp.*, 145 F. Supp. 3d 1018, 1042-43 (D. Or. 2015). In short, Oracle's straightforward infringement suit devolved into years of protracted and costly litigation over the immunity waiver itself, until the case eventually settled while on appeal to the Ninth Circuit.

Oracle shares this experience with the Court both because it provides additional evidence supporting a pattern of copyright infringement by the states and because it shows why contractual sovereign-immunity waivers are impractical, inadequate alternatives to the CRCA's abrogation of immunity.

ARGUMENT

I. Copyright Enforcement Is Critical To Software Innovation.

The software industry is thriving in large part because of copyright protection. Copyright supplies "the economic incentive to create and disseminate ideas" by "establishing a marketable right to the use of … expression," including software. *Harper & Row Publ'rs, Inc. v. Nation Enters.*, 471 U.S. 539, 558 (1985); *see* 17 U.S.C. § 101 (defining a "computer program" as a copyright-protected form of expression). A growing sector of the software industry is so-called "GovTech," which provides technological solutions for a wide range of offices at every level of government. Denying software innovators the ability to enforce copyright protections against state-government purchasers will significantly undermine the incentive scheme that Congress established and that continues to make the American software industry so successful.

A. The software industry—including the growing field of "GovTech"—is a huge piece of the U.S. economy.

Software's importance to the American economy is indisputable. As this Court has observed, "Internet technology," *South Dakota v. Wayfair, Inc.*, 138 S. Ct. 2080, 2093 (2018), and "advances in [computer] technology" more generally, play a major role in the modern economy, *Impression Prods., Inc. v. Lexmark Int'l, Inc.*, 137 S. Ct. 1523, 1532 (2017). And there remains "vast [untapped] potential" for computer technology

in "the Cyber Age." *Packingham v. North Carolina*, 137 S. Ct. 1730, 1736 (2017). *See also, e.g.*, *id.* at 1741-42 (Alito, J., concurring in the judgment) (describing widespread public use of computer technology).

Indeed, in 2016, the software industry contributed $564.4 billion in direct economic benefits (such as jobs and profits in software companies) and another $575.5 billion in indirect benefits (such as jobs and business generated to serve and supply the demand from the growing software industry—*e.g.*, real estate purchased to provide workspace for scores of tech workers or marketing services to advertise new IT products). *See* BSA Foundation, *The Growing $1 Trillion Economic Impact of Software* 5, 10 (Sept. 2017), https://tinyurl.com/y77xjgke ("BSA Report"). The total $1.14 trillion impact of the software industry represents a major fraction—more than six percent—of the country's entire economic output. *See id.*; World Bank, DataBank, https://tinyurl.com/y5jevnbz (reporting 2016 GDP of $18.7 trillion). The growth rates are also astounding: The industry's $500 billion-plus direct contribution to the economy was the culmination of an 18% increase in just two years. BSA Report at 3.

One area of particular growth is "GovTech." In recent years, local, state, and national governments have increasingly embraced technological solutions, both to solve public problems and to make their internal organization and communication more efficient. *See* GovTech, Report for the GovTech Summit 4-5, 8 (2019), https://tinyurl.com/y5b7hx98 ("GovTech Report"). As one investment group put it, investors "historically ran for the hills whenever they heard the

word 'government'" because "software sales cycles were measured in years [and] governments often required a ton of product customization and [relied on] a byzantine structure of prime and sub-contractors [that] made it impossible to actually deploy solutions even after a deal was won." Govtech Fund, *The $400 Billion Market Hiding in Plain Sight* (Jan. 3, 2016), https://tinyurl.com/y3uhyody. "However, in the past couple of years, a number of trends including government adoption of the cloud, budget constraints, a massive government personnel retirement cycle and an open data movement have coalesced to create an openness on the part of government agencies to embrace new technologies." *Id.*[3]

To take just a few examples of this trend, government infrastructure projects are using advanced building-design software to allow teams of architects, engineers, and contractors to better collaborate. *E.g.*, BSA Report at 4 (discussing major recent improvements to the San Diego airport). Schools are relying on artificial-intelligence technology to help teachers design lesson plans. *Id.* at 7. And governments are turning to cloud-based services to allow for accumulation, storage, and efficient processing of more and more data—for example, videos downloaded by police departments from officer body cameras, *id.* at 6, and constituent complaints and questions about city services, *City of Sacramento Takes 311 to the Cloud with*

[3] *See also, e.g.*, GovTech Report at 5; John Welsh, *11 Developments in Govtech That You Really Need to Know*, Forbes (Nov. 12, 2018), https://tinyurl.com/yxorvw9u; Albert Pang, *supra*.

Oracle Service Cloud, Press Release (Feb. 1, 2017), https://tinyurl.com/y6qofdu7.

B. Copyright law is the primary legal mechanism for securing intellectual-property protection, and encouraging innovation, in the software industry.

It is no accident that the software industry is flourishing. Copyright law has facilitated (and continues to encourage) the industry's enormous growth. By express constitutional and statutory design, copyright provides the primary means of securing and protecting intellectual property in computer programs. *See* U.S. Const. art. I, § 8, cl. 8 (providing that Congress has the power to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries").

In 1976, Congress commissioned a comprehensive study on the best means to shield intellectual property in software. The resulting report, issued in 1979, concluded that the Copyright Act should be amended "to make it explicit that computer programs, to the extent that they embody an author's original creation, are proper subject matter of copyright." National Commission on New Technological Uses of Copyrighted Works, Library of Congress, Final Report 1 (1979) ("CONTU Report"); *see also Oracle Am., Inc. v. Google Inc.*, 750 F.3d 1339, 1380-81 (Fed. Cir. 2014); *Comput. Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 703-704 (2d Cir. 1992). The report also found that other potential means of protecting software—including patents, trade secrets protection, and common-

law misappropriation claims—compared poorly to copyright. CONTU Report at 16-19 & tbl.1.

The following year, Congress heeded the report's call, amending the statute to clarify that a "computer program" qualifies as copyright-protected subject matter. Act to Amend the Patent and Trademark Laws, Pub. L. No. 96-517, 94 Stat. 3015 (1980). In particular, Congress added a definition of "computer program" to the statute, affording it protection as a "literary work" and defining it as "a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result." 17 U.S.C. § 101; *see also id.* (defining a "literary work" as a work "expressed in words, numbers, or other verbal or numerical symbols or indicia").

The upshot is that Congress determined that, as with all other protected literary works, "the best way" to promote the innovation necessary for the creation of new software is to "encourage[]" authors by rewarding their efforts with "personal gain." *Mazer v. Stein*, 347 U.S. 201, 219 (1954); *see also Harper & Row*, 471 U.S. at 545-46. To effectuate this goal, the "Copyright Act provides the owner of a copyright with a potent arsenal of remedies against an infringer of his work, including an injunction to restrain the infringer from violating his rights, the impoundment and destruction of all reproductions of his work made in violation of his rights, a recovery of his actual damages and any additional profits realized by the infringer or a recovery of statutory damages, and attorneys fees." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 433-34 (1984).

Any curb on the availability of these remedies thus threatens the statute's core promise of encouraging innovation. Here, that threat is substantial: As GovTech becomes an increasingly large industry, *supra* at 6-8, copyright remedies are essential to preventing unlawful use and abuse by state actors.

II. If The Court Strikes Down The CRCA, Copyright Enforcement Against State Infringement Of Software Will Be At Best Highly Burdensome, And Often Impossible.

Congress validly abrogated sovereign immunity in the Copyright Remedy Clarification Act (CRCA). As petitioner details, the record is clear that there is a "pattern of [copyright] infringement by the States" and there are "inadequate [alternative] remedies" to enforce copyright protections against state infringement. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 640, 643 (1999); *see* Pet. Br. 46-53.

Congress, scholars, and the GAO have documented numerous cases of state-government copyright piracy, including software piracy. Pet. Br. 46-53; *e.g.*, U.S. Gen. Accounting Office, GAO-01-811, *Intellectual Property: State Immunity in Infringement Actions* 13 (Sept. 2001), https://tinyurl.com/yxhp4y64 (citing a report from an association of software companies pointing to 77 matters involving state-government infringement in just six years) ("GAO Report"). Before enacting the CRCA, Congress considered evidence that infringing use of computer software by states, including public schools and universities, was

a particular problem that injured software companies. *See* S. Rep. No. 101-305, at 11 (1989) ("S. Rep."); *see also, e.g.*, *Copyright Remedy Clarification Act & Copyright Office Report on Copyright Liability of States: Hearing on H.R. 1131 Before the Subcomm. on Courts, Intellectual Prop., & the Admin. of Justice of the H. Comm. on the Judiciary*, 101st Cong. 139-149 (1989).

Especially disturbing to Congress was the *B.V. Engineering* case, in which "a large State entity," the University of California Los Angeles, "cop[ied] … the computer program of a small, entrepreneurial software company with revenues of less than $250,000." S. Rep. at 11; *see BV Eng'g v. Univ. of California*, 858 F.2d 1394, 1395 (9th Cir. 1988). Congress thus rightly concluded that this and similar state-government copying without redress under the Copyright Act would ultimately "discourage the creation of computer software for use by State governments." S. Rep. at 11; *see also* H.R. Rep. No. 101-282, at 9 (1990).

While petitioner understandably focuses on the kind of copyright piracy alleged in this case, where the state copies a work it never obtained any right to use, state actors also commit infringement even though they have license agreements with copyright owners. Sometimes, as in *B.V. Engineering*, the customer impermissibly duplicates and installs multiple copies of a software program after paying for just one copy.[4]

---

[4] *See* 858 F.2d at 1395 ("The University purchased one copy each of seven copyrighted computer programs sold by BV," and "then made three copies of each program." (quotation marks omitted)); *cf., e.g.*, *Wall Data Inc. v. Los Angeles Cty. Sheriff's Dep't*, 447 F.3d 769, 773 (9th Cir. 2006) (describing government's

Other times, customers violate license terms or stop paying for the license altogether, while continuing to use the software. Such unlicensed use is infringement. *See Sony*, 464 U.S. at 447; 17 U.S.C. § 106 (listing acts that are infringing unless "authorize[d]").

Oracle has experienced firsthand just how far state governments can go in impermissibly violating software copyrights through unlicensed use, and the unavailability of adequate alternative remedies to deter and compensate for such infringement. In particular, even when major players in the software industry like Oracle obtain contractual immunity waivers from their state-government customers, such waivers can be very difficult, if not impossible, to enforce.

A. Oregon's efforts to escape its contractual waivers of immunity for copyright infringement highlight the need for blanket abrogation of state immunity.

Signed in 2010, the Patient Protection and Affordable Care Act (ACA) required "the creation of an 'Exchange' in each State where people can shop for [health] insurance, usually online." *King v. Burwell*, 135 S. Ct. 2480, 2487 (2015). The ACA also provided federal funds for building new state information technology (IT) infrastructure to support the Exchanges.

"purchase[] [of] 3,663 licenses to Wall Data's computer software," followed by its unauthorized installation of "the software onto 6,007 computers").

Oregon decided to seek those funds not just for creation of its Exchange, but also for an existing plan to modernize its system for food-stamp applications and other state-provided benefits like Medicaid. This combined modernization project was the most ambitious IT undertaking in Oregon's history. *See* First Data, Cover Oregon Website Implementation Assessment, Assessment Report 2-3, 7-8, 33, 48-49 (Mar. 19, 2014), https://tinyurl.com/y46k863a (report commissioned by Oregon's governor) ("Cover Oregon Assessment Report"). Oregon contracted with Oracle to help develop some of the underlying software for its Exchange. *Oracle Am., Inc. v. Oregon Health Ins. Exch. Corp.*, 80 F. Supp. 3d 1168, 1169-70 (D. Or. 2015).

Like most technology companies, Oracle does not sell its software to customers outright; rather, it sells licenses to use its software and insists on terms that protect its intellectual property rights. Oracle pays particular attention to its ability to enforce its copyrights when contracting with public entities who might claim immunity from suit—especially in the wake of uncertainty about the CRCA's enforceability since the Fifth Circuit's decision in *Chavez v. Arte Publico Press*, 204 F.3d 601, 604 (5th Cir. 2000).

Oracle's contract with Oregon therefore provided that Oracle "retain[ed] all ownership and intellectual property rights to anything developed and delivered under this agreement," while separately licensing the state to use the Oracle-developed software only "[u]pon payment for services." *See* Excerpts of Record at 141, *Oracle America, Inc. v. Oregon*, No. 15-35950, (9th Cir. April 28, 2016), Dkt. No. 18 ("ER"). Because

any unlicensed use would constitute copyright infringement, over which federal courts have exclusive jurisdiction, 28 U.S.C. § 1338(a), Oracle further insisted the state contractually waive its immunity to suit in federal court. ER 142.

After it became clear the state agencies tasked with managing the project were not equipped to do the job, the state transferred management of the Exchange to a new public corporation called "Cover Oregon." Cover Oregon Assessment Report 19-21, 41-43, 70-71. Cover Oregon signed license agreements with Oracle on the same terms as the state—including the immunity waiver. Supplemental Excerpts of Record at 99, 103, *Oracle America, Inc. v. Oregon*, No. 15-35950 (9th Cir. July 12, 2016), Dkt. No. 27 ("SER").

Cover Oregon's management of the project was no better. Oregon ultimately abandoned efforts to create its own Exchange and instead switched to the federal government's health insurance exchange platform. Jason Millman, *Cover Oregon Officially Admits Enrollment Site Is Broken Beyond Repair*, Wash. Post, Apr. 25, 2014, https://tinyurl.com/y3hhxg22. A postmortem report prepared by Oregon's governor placed significant responsibility for the failure on the state and Cover Oregon (noting "ineffective" and at times "contentious" communication across agencies, a "lack of a single point of authority" in the decision-making process, and an "overly ambitious" project scope). Cover Oregon Assessment Report 3, 7-8, 28, 58.

Despite these challenges, Oracle delivered technology that enabled the state to enroll more than 430,000 Oregonians in health insurance or Medicaid

during the ACA's first open-enrollment period in 2013. ER 171.

In August 2013, however, Cover Oregon stopped paying Oracle for its work. Oracle continued working on the project because Cover Oregon promised payment was forthcoming and work on the Exchange was extremely time-sensitive given the ACA's firm deadlines. By February 2014, Cover Oregon had withheld more than $20 million in overdue payments. ER 183-84, 191. At the same time, it continued to use Oracle's proprietary software for key functions like determining Medicaid eligibility, in violation of the parties' license agreement. ER 177-78, 184. Cover Oregon also copied Oracle's software, incorporated the software into the state's Affordable Care Act website, and transferred it to the state, which then prepared derivative works from Oracle's code. ER 184-85. None of the parties' license agreements permitted Cover Oregon or the state to use Oracle's software in this manner.

Oracle eventually sued Cover Oregon and the state for copyright infringement. The state responded by asserting Eleventh Amendment immunity and disavowing its contractual immunity waiver. It argued, among other things, that the waiver was not sufficiently clear and in any event was ineffective because the Assistant Attorney General who signed the contracts lacked authority to waive immunity, despite his assurances to Oracle that he had full authority to act on the state's behalf. *Oracle*, 145 F. Supp. 3d at 1034-38.

As for Cover Oregon, the state took even bolder measures. The state legislature enacted a law dissolving Cover Oregon and transferring all its assets and liabilities to the state. S.B. 1, 78th Leg. Assem., Reg. Sess. (Or. 2015). The transparent motive was to obtain a tactical advantage in its ongoing litigation with Oracle. Specifically, Oregon sought to void the immunity waiver Cover Oregon negotiated with Oracle by transferring the agreement to Oregon itself, deny that Oregon was bound by Cover Oregon's waiver, and then move to dismiss the suit on immunity grounds. Defendants' Motion for an Extension of Time 2, *Oracle Am., Inc. v. Or. Health Ins. Exch. Corp.*, No. 3:14-cv-01279-BR (D. Or. Feb. 6, 2015), Dkt. No. 79 (informing the court that, as soon as the legislation passes, Oregon "likely will assert its Eleventh Amendment immunity and move to dismiss all claims against it filed in federal court."); *id.* at 5 ("[R]egardless of whether Cover Oregon could assert an Eleventh Amendment immunity defense, [Oregon] will.").

The district court accepted Oregon's gambit to nullify the Cover Oregon waiver, granting judgment on the pleadings to the state. It concluded the state was entitled to immunity, no matter how clear Cover Oregon's waiver was, because the subsequent legislation dissolving Cover Oregon superseded the contractual waiver and included no "statutory language that explicitly transferred Cover Oregon's lack of Eleventh Amendment immunity to [the state]." *Oracle*, 145 F. Supp. 3d at 1038, 1043.

Oracle's efforts to recover for the infringement under state law were equally fruitless. An Oregon state court held (circularly) that because the state never

agreed to pay for its *un*licensed use of Oracle's copyrighted software, Oracle could not claim breach of contract. Order Granting in Part and Denying in Part Plaintiffs' Motion to Strike, *Rosenblum v. Oracle Am., Inc.*, No. 14C20043 (Cir. Ct. Or. Feb. 22, 2016). Nor did Oracle have adequate tort claims—*e.g.*, for conversion—against the state: Oregon caps tort damages at $100,000 per claimant per occurrence, a tiny fraction of the $23 million in damages Oracle suffered as a result of the state's infringement. *See* Or. Rev. Stat. § 30.273(2).

The state and federal cases ultimately settled while pending on appeal. But they forced Oracle to devote years and substantial resources to the lawsuit, far more time than should have been necessary for this straightforward case: Oregon's copyright infringement was clear. And its waiver of Eleventh Amendment immunity was clear. But without resort to the statutory right to sue state governments enshrined in the CRCA,[5] Oracle was denied an adequate remedy to vindicate its constitutional property rights.

[5] As the Fourth Circuit did in the instant case, the district court in the Oracle-Oregon cases struck down the CRCA's abrogation of sovereign immunity as unconstitutional. *Oracle Am., Inc.*, 80 F. Supp. 3d at 1172.

B. Copyright owners lack adequate alternative remedies to enforce their property rights against state governments.

Oracle's experience with Oregon exposes the inadequacy of contractual immunity waivers as a substitute for the CRCA's abrogation of sovereign immunity. In short, states will go to extreme lengths to evade immunity waivers even where copyright owners have expressly contracted for just such protection. Oracle extracted an unambiguous waiver of immunity in its contract negotiations with Oregon, yet by interposing every conceivable obstacle to enforcement of that waiver, Oregon was able to litigate to a draw and force Oracle to rack up years of litigation costs in state and federal court in what should have been a straightforward copyright action in a single forum.

The difficulties that software copyright owners encounter in defending their property rights against state infringement go well beyond the Oracle-Oregon dispute. While Oracle is fortunate in that its status in the industry and high demand for its products make an immunity waiver conceivable at all, many small software start-ups and entrepreneurs lack such leverage and thus cannot plausibly demand that states agree to waive sovereign immunity.

B.V. Engineering is a good example. There, as discussed (at 11), "a large State entity," the University of California Los Angeles, "cop[ied] … the computer program of a small, entrepreneurial software company with revenues of less than $250,000." S. Rep. at 11.

Similarly, in *Smith v. Lutz*, 149 S.W.3d 752, 755 (Tex. App. 2004), the University of Texas hired a solo-practicing computer engineer "to design and implement a computer database and interface system to be used by the business school's career center to assist students, staff, and employers to communicate and network." The University then allegedly refused to pay part of the costs due, but used the engineer's software anyway, effectively terminating the license and infringing the copyright. *See id.*

Both *B.V. Engineering* and *Smith* were dismissed on sovereign-immunity grounds, illustrating that "only the rare party contracting with the state has the negotiating leverage to obtain a contractual waiver of sovereign immunity." Laura B. Bartell, *Getting to Waiver—A Legislative Solution to State Sovereign Immunity in Bankruptcy After Seminole Tribe*, 17 Bankr. Dev. J. 17, 64-65 (2000) (discussing similar dynamic in the bankruptcy setting).

Even in the unusual situation where such leverage does exist, software companies seeking an immunity waiver may encounter additional obstacles. Although Oregon's disavowal of the Assistant Attorney General's waiver authority was a disingenuous, *post hoc* litigation strategy, it is true that in some states, procurement officials lack authority to agree to an immunity waiver when entering software licensing agreements. In Texas, for example, "it is the Legislature's sole province to waive or abrogate sovereign immunity." *Federal Sign v. Texas S. Univ.*, 951 S.W.2d 401, 409 (Tex. 1997); *see also, e.g.*, *Bacon Constr. Co. v. Dep't of Pub. Works*, 987 A.2d 348, 355 (Conn. 2010) (similar); *Commonwealth v. Luzik*, 524

S.E.2d 871, 876 (Va. 2000); *Lapides v. Bd. of Regents of Univ. Syst. of Ga.*, 535 U.S. 613, 621 (2002) (discussing Georgia law); *see also* GAO Report at 50 (22 of 36 surveyed states reported that "state entities" lack "the right to waive sovereign immunity"). In these states, waiver negotiations are a non-starter, leaving the parties at an impasse.

Another significant problem, in Oracle's experience, is that negotiations are often protracted and mired in bureaucracy. Even when a state's executive has authority to waive immunity, lower-level officials are reluctant to engage on the issue without approval from higher-ups. But it is often difficult to get senior officials involved in early stages when the critical contours of a deal are worked out. And without knowing whether the state will ultimately agree to an immunity waiver, it is hard for a company like Oracle to provide an accurate bid: without a waiver, the contract becomes far riskier, presenting the possibility the state will infringe the copyright with impunity (*e.g.*, by making unlicensed copies) after the provider creates or customizes software for the state's needs. So the parties become stuck, and potential deals evaporate.

Finally, as Oracle's experience in Oregon illustrates, even where the software provider has sufficient leverage to negotiate, and negotiations are successful in convincing the state to sign a contractual immunity waiver, states can raise outlandish arguments to weasel out of their agreements. Moreover, state law remedies are unlikely to provide much, if any, relief for state copyright infringement. In Oracle's case, the state court dismissed Oracle's breach of

contract claim on the theory that the state's unlicensed use of Oracle's propriety software fell outside the terms of the parties' licensing agreements. *Supra* at 16-17.

In some states, contract law remedies are not even available against state actors.[6] Wyoming, for example, generally waives "immunity in actions based on a contract entered into by a governmental entity," but authorizes state procurement officials to include exceptions in specific contracts, effectively blocking any form of redress for violating a license to use a copyrighted work. Wyoming Statute § 1-39-104(a). This is no hypothetical; Wyoming recently invoked this power in negotiations with Oracle, just as it often does with other state contractors.[7] Moreover, even where state law remedies are available, they do not afford

---

[6] *See generally* Robert F. Cushman et al., *Construction Disputes Representing the Contractor* § 6.04 (2019) ("A contractor wishing to sue a state may find itself faced with sovereign immunity issues that may or may not have been expressly waived."); Christopher L. Beals, *A Review of the State Sovereignty Loophole in Intellectual Property Rights Following Florida Prepaid and College Savings*, 9 U. Pa. J. Const. L. 1233, 1262 (2007) (similar).

[7] *E.g.*, Master Lease Agreement Between the State of Wyoming and Kyocera Document Solutions America Inc. at 7 (July 1, 2015), https://tinyurl.com/y5txocqp; Wyoming Legislature Contract for Stationery & Printing Services with Modern Printing Company at 2 (Nov. 5, 2018), https://tinyurl.com/y3z6awvl; Contract Between Wyoming, Secretary of State's Office and Saber Corporation at 17 (Mar. 28, 2007), https://tinyurl.com/y3p2q2p6; Information Technology Contract Between Wyoming Department of Education and University of Wyoming, Gear Up Wyoming at 8 (Oct. 1, 2016), https://tinyurl.com/y47yvy58.

copyright holders the panoply of remedies, including statutory damages and an entitlement to injunctive relief, that Congress has deemed essential to shield copyright-protected works. *Supra* at 9; *see* Nimmer, *Law of Computer Technology* § 7:147 (2019).

* * *

Oracle's experience will become commonplace if this Court strikes down the CRCA. Without the CRCA, software copyright owners will lose their only meaningful mechanism for enforcing their property rights against state governments. This will paralyze the GovTech industry just as it is taking off and the public is beginning to see its benefits. Congress acted well within its constitutional authority when it determined that state immunity for copyright infringement is anathema to industry and innovation—especially the computer technology that provides essential fuel for our national economy and quality of life.

CONCLUSION

For the foregoing reasons, the Court should uphold the CRCA and reverse the judgment.

Respectfully submitted,

Karen Johnson-McKewan
Brian P. Goldman
Samuel Harbourt
Kayvan Ghaffari
ORRICK, HERRINGTON & SUTCLIFFE LLP
405 Howard Street
San Francisco, CA 94105

Kelsi Brown Corkran
Counsel of Record
ORRICK, HERRINGTON & SUTCLIFFE LLP
1152 15th Street, N.W.
Washington, DC 20005
(202) 339-8400
kcorkran@orrick.com

August 13, 2019