Google Enterprise: Are the Caution Lights Flashing?

I did not know that August was panini month. I learned this by accident. A panini is a toasted sandwich. Grab a couple of slices of bread, stick in some cheese, and fire up your Krups FDE312-74 or job hop a jet and head to Rome. Either way the metaphor of putting edibles in a hot grill and pressing down comes close to making Google's summer of 2010 come alive.

For the first time in the 11 year history of Google, June and July were unseasonably hot for the Web search giant. August cranked the knob on the panini grill put the company under pressure. Will the recipe work?

The "pressure" to which I refer is the surprise move by Oracle to seek legal remedy for Google's alleged improper use of Java. In the good old days before Oracle bought Sun Microsystems for about $6 billion, Google and Sun enjoyed what looked to me like reasonably cordial relations. I recall the news photograph of Google and Sun executives after making an Open Office announcement. I met a number of Googlers who had worked at Sun Microsystems. I wrote a report about a data center in a shipping crate and made reference to a similar idea hatched at Sun Microsystems. Eric Emerson Schmidt, the chairman and chief executive officer of Google, was a Sun employee from the early 1980s until he left in 1997 to be the CEO of Novell. Before heading to the firm that I remember fondly for its Netware technology and time-draining compsurf program, Dr. Schmidt was the chief technical officer of Sun Microsystems.

I don't understand the legal maneuverings underway as I write this. I must confess that I thought the Java technology, which is widely used by many commercial enterprises, was open source. Obviously Oracle does not see Google's actions regarding Java as appropriate. Google, on the other hand, will defend itself with the same doggedness it has used in other legal matters.

The issue may be little more than a misunderstanding between two companies that have worked together in the past. Oracle, at one time, was a reseller of some Google technology, including the Google Search Appliance. That tie up may have been a non-starter, but at one point Oracle professionals were fast dancing with the Googlers.

The problem may be an example of Silicon Valley tough love. As I understand the method, Oracle sees that Google is or will make quite a bit of money from its Android platform. Java and Google's own technology tap into some of Sun's patents. Oracle owns the patents, and Oracle wants to be compensated for the technology Google has used without permission. The saber rattling may be posturing to get Google to pay Oracle a technology toll. In Silicon Valley, lawyers can do the heavy lifting as long as the Ford 150 arrives with a load of greenbacks.

Oracle could have a bigger goal in mind. Google and its Android are important in the short term, but the long term issue could be Google in the enterprise. Oracle does not want Google's "freemium" approach to gain traction in markets where Oracle has a comfortable cash flow and a well-oiled business model. Instead of letting Google disrupt the enterprise markets where the bulk of Oracle's revenue originates, the legal action against Google is a strategic move.

My view of the situation is that unlike the Google-Viacom legal hassle, the Google-Oracle matter may be a particularly painful situation for Google. Oracle does own Sun Microsystems, and it can change formal or informal policies in place prior to the Oracle buy out of Sun. Google may have fallen into a comfortable hammock of assumptions about what Google engineers could do with Sun's patented technology. When the parties to a legal dispute have fundamentally different views about what is "correct", a cloud of uncertainty falls over the defendant. In this case, Google has to find a way to make this problem with Oracle's claim of patent infringement go away. The longer the problem flaps like laundry on a tenement's clothesline, the more difficult certain sales and marketing tasks become.

Google has the cash to write a check to Oracle to settle the legal matter. Oracle, however, has in many of its products and services adopted a fee-based approach. The idea is that clients pay for products and services on what I think of as an "annuity basis" or as a "standing order." Stated simply, clients keep paying Oracle year after year. If I am correct, Oracle will want a regular stream of licensing fees and royalties flowing from Google for a long time. Maybe forever?

What interests me about this legal dust up is that Google is like the cheese in a panini. The company is now caught between the heated plates of a really big Krups FDE312-74 griddle. The pressure is on. On one side is the Oracle matter, and the other the need for Google to make headway in the enterprise. What makes the pressure even more intense is that the Oracle argument is focused on the patented systems and methods that Oracle owns. Google's position is a mélange of proprietary software, systems, and methods plus open source.

I am no expert on open source. I do know that there are different "flavors" of open source licenses. The implications of these different licenses are lost on me. What's clear from the write ups like "Oracle v Google: Why?" by RedMonk's analysts (http://redmonk.com/sogrady/2010/08/14/oracle-v-google/) is that the Google-Oracle matter may become the shoot out at the OK Corral with regard to open source software. Oracle has already deep sixed Open Solaris and there is considerable consternation over Oracle's owning the open source data management system MySQL. Is Java the next technology that will be morphed into a proprietary system and method.

Let's assume that Oracle gets a deal with Google for Java and the variants, work arounds, and clean room engineering the Googlers performed. Will this make Oracle happy with open source software that could challenge Oracle's core business?

In my opinion, Oracle will not be satisfied with a payout from Google, a compromise, or even a complete victory over Google. Google is simply the focal point of Oracle's preemptive effort to protect its core business. Open source software threatens Oracle on several levels.

First, in the data management and database world, open source software dangles a tasty piece of bait in front of corporate executives—No license fees for software. Open source software can be downloaded for free. RedHat, for example, makes software available without charge and then sells value-added services and specialized components. Open source-centric companies, therefore, have a different marketing angle and business model. Oracle sees open source products like MySQL as the tip of potentially very large iceberg. Oracle wants to navigate around MySQL, avoiding a catastrophic collision. Oracle may want to take steps to put open source in a cage, lock the door, and throw away the key. A failure to achieve this goal could threaten Oracle's core revenue flow.

Second, in the mobile space, Oracle does not have the same momentum that SAP and Sybase are working hard to increase. As a result, finding a way to derive revenue from the Android juggernaut may be a particularly attractive opportunity. With Android already perceived as open source, Oracle might have a way to generate revenues quickly, easily, and without much risk. The repercussions of throwing a spanner into the humming Android machine will be interesting indeed.

Third, in the enterprise, Oracle's Java matter could have give some potential Google customers some pause. The high profile of the Google-Oracle dispute could cause naturally conservative organizations to focus on commercial software until the open source issues are resolved. A "freeze" or slow down for Google's Enterprise group could be just what Oracle needs to cast doubt on the wisdom and potential risk of open source enterprise software solutions.

To sum up, Google wants to build its enterprise business. Java and Android are key gears in the Google enterprise machinery. If Oracle can turn off the machine or slow it down by dumping sand into the delicate internals, Oracle helps itself, puts a thumbscrew on the pesky open source software initiative, and bolsters its bottom line. Google has to find a way to get free of the panini maker before it gets burned and becomes singularly unappetizing to investors and customers alike.

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