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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

OAKLAND DIVISION

ORACLE USA, INC., *et al.*, Plaintiffs, v. SAP AG, *et al.*, Defendants.	CASE NO. 07-CV-01658 PJH (EDL) **ORACLE'S REQUEST FOR LEAVE TO FILE REPLY**

On December 14, 2010, the Court ordered Plaintiffs Oracle USA, Inc., Oracle International Corporation, and Siebel Systems, Inc. ("Oracle") to advise it of the relief that Oracle sought, and allowed Defendants SAP AG, SAP America, Inc., and TomorrowNow, Inc. ("SAP") a week to respond. *See* December 14, 2010 Order, Dkt. No. 1012. On December 16, 2010, Oracle filed a half page further statement. *See* December 16, 2010 Oracle Response, Dkt. No. 1013. On December 23, 2010, SAP filed a 15-page opposition with five declarations in support ("SAP's opposition"). *See* December 23, 2010 SAP Response, Dkt. No. 1021.

If the Court considers SAP's opposition, Oracle respectfully requests leave to file a full reply brief by December 30. The reply is necessary because SAP ignores the controlling Supreme Court and Ninth Circuit authority on prejudgment interest and misconstrues the trial record to construct four unsupportable arguments against Oracle's request for prejudgment interest.[1] In summary, each of these arguments fails legally and factually.

First, the jury did not include prejudgment interest in its award. Pursuant to the Court's instruction and the verdict form, the verdict was based on the fair market value of the intellectual property taken *at the time of the hypothetical negotiations* for the PeopleSoft, Siebel and Database software that SAP admittedly infringed. Contrary to SAP's claims, consideration of lost research and development opportunities does not suggest that the jury considered prejudgment interest as part of its award. *See* SAP's opposition at 3-6. "Simply put, prejudgment interest is a different remedy for a different harm," and is something the jury was never asked to consider. *Polar Bear Prods., Inc. v. Timex Corp.*, 384 F.3d 700, 718 (9th Cir. 2004).[2]

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[1] *See* Oracle's December 10, 2010 Proposed Judgment (Dkt. No. 1009) at 3; *Kansas v. Colorado*, 533 U.S. 1, 10 (2001) ("a monetary award does not fully compensate for an injury unless it includes an interest component"); *City of Milwaukee v. Cement Div. Nat'l Gypsum Co.*, 515 U.S. 189, 195 (1995) (courts routinely award prejudgment interest to "ensure that an injured party is fully compensated for its loss"); *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 886 F.2d 1545, 1552 (9th. Cir. 1989) (holding that in a copyright action "prejudgment interest ordinarily should be awarded").

[2] SAP's cases in support of this argument are distinguishable and often non-citable. *See e.g.*, *Landes Const. Co., Inc. v. Royal Bank of Canada*, 833 F.2d 1365 (9th Cir. 1987) (breach of contract claim where interest was sought under Cal. Civ. Code § 3287(b) and where expert testified to present value of lost profits taking "time value of money" into account); *Fleming v. Parametric Tech. Corp.*, Nos. 97-56262, 97-56350, 1999 WL 451764 (9th Cir. June 29, 1999)

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Second, there is no "trend" rejecting prejudgment interest in Ninth Circuit copyright cases. As the basis for this purported "trend," SAP relies on and quotes an out-of-circuit case published thirteen years before *Polar Bear*. *See* SAP's opposition at 6-8 (quoting *In Design v. Lauren Knitwear Corp.*, 782 F. Supp. 824, 837 (S.D.N.Y. 1991)). The Ninth Circuit made it clear in *Frank Music* and *Polar Bear* that prejudgment interest should "ordinarily" be awarded on facts like those here. *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 886 F.2d 1545, 1552 (9th. Cir. 1989); *Polar Bear*, 384 F.3d at 718. SAP does not distinguish these cases, but instead relies on a grab-bag of counter-factual cases.[3]

Third, Ninth Circuit authority does not support a flat calculation of prejudgment interest based on 28 U.S.C. § 1961. While both SAP and Oracle propose to use the conservative rates set by 28 U.S.C. § 1961, the Ninth Circuit law on the method of calculation of prejudgment interest cited by Oracle controls here. *See* Oracle's Proposed Judgment, Dkt. No. 1009, at 5-6; *see also Nelson v. EG&G Energy Measurements Group, Inc.*, 37 F.3d 1384, 1391-92 (9th Cir. 1994) (calculating prejudgment interest using historical rates over time, like Oracle, rather than a

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(unpublished non-citable case, distinguishable on its facts, and not a copyright case); *Pietz v. Amato*, Nos. 89-35413, 89-35442, 1990 WL 160970 (9th Cir. Oct. 22, 1990) (same).

[3] *In Design v. Lauren Knitwear Corp.*, 782 F. Supp. 824 (S.D.N.Y. 1991) (denying prejudgment interest where award was based on infringers' profits not actual damages, unlike here); *Brighton Collectibles, Inc. v. Coldwater Creek, Inc.*, No. 06-CV-01848-H, 2009 WL 160235 (S.D. Cal. Jan. 20, 2009) (denying prejudgment interest because there was no needless delay and legitimate disputes over infringement of the copyrights); *Brayton Purcell LLP v. Recordon & Recordon*, No. C-04-4995, 2007 WL 420122 (N.D. Cal. Feb. 6, 2007) (denying prejudgment interest because there was no needless delay, unlike here, and award was based on statutory damages, not actual damages, unlike here); *U.S. Payphone, Inc. v. Executives Unlimited of Durham, Inc.*, Nos. 89-1081, 89-1085, 1991 WL 64957 (4th Cir. Apr. 29, 1991) (no prejudgment interest where "infringement was not intentional" so "any additional sanction would serve no purpose"); *Tracy v. Skate Key, Inc.*, No. 86 CIV. 3439 (MBM), 1990 WL 9855 (S.D.N.Y. Feb. 2, 1990) (no prejudgment interest where after court pointed out a calculation error pointed out in jury's verdict, jury fixed the error so it was clear it intended the damage award to be full amount); *Robert R. Jones Assocs., Inc. v. Nino Homes*, 858 F.2d 274 (6th Cir. 1988) (no prejudgment interest where lower court awarded interest as a "sanction"); *Segrets, Inc. v. Gillman Knitwear Co., Inc.*, 42 F. Supp. 2d 58 (D. Mass. 1998), *vacated in part on other grounds*, 207 F.3d 56 (1st Cir. 2000) (denying prejudgment interest where award was based on statutory damages, not actual damages, unlike here); *Roger Miller Music, Inc. v. Sony/ATV Pub., LLC*, No. 3:04-1132, 2010 WL 1026980 (M.D. Tenn. Mar. 18, 2010) (declining prejudgment interest because Plaintiff did not articulate entitlement under the 6th Circuit standard).

flat rate, like SAP, because prejudgment interest is "intended to cover the lost investment potential of funds to which the plaintiff was entitled, from the time of entitlement to the date of judgment."); *accord Smyrni v. U.S. Investigations Servs. LLP*, No. C 08-4360 PJH, 2010 WL 807445, at *4 (N.D. Cal. March 5, 2010). SAP does not address or attempt to distinguish these cases.[4]

Fourth, no interpretation of the evidence supports using the Siebel negotiation date to start all prejudgment interest. The jury instructions, proposed and stipulated by SAP, made clear the dates of the three hypothetical license negotiations. *See* November 22, 2010 Trial Transcript at 2217:2-8. It is also undisputed that the fair market value of the infringed PeopleSoft software constituted the majority of the value of infringed software, and that former PeopleSoft customers constituted the majority of TomorrowNow/SAP customers. *See, e.g.*, November 12, 2010 Trial Transcript at 1344:23-1345:13 (valuing PeopleSoft license at $1.5 billion as compared to $100 million for the Siebel license); November 9, 2010 Trial Transcript at 1068:25-1069:1 (describing "ten or so" Siebel customers switching to TomorrowNow for support out of the 358 customer total); *see generally* November 16 and November 18, 2010 Trial Transcripts (SAP's expert testimony failing to mention "Siebel" once during his two days of testimony at trial). Oracle's apportionment of the jury verdict based on the agreed hypothetical license dates is conservative, and is supported by the evidence and the testimony from both damages experts. *See id*; *see also* Oracle's Proposed Judgment, Dkt. No. 1009, at 8 and Ex. A.[5]

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[4] Neither *Grosz-Salomon v. Paul Revere Life Ins. Co.*, 237 F.3d 1154 (9th Cir. 2001) nor *In re Nucorp Energy, Inc.*, 902 F.2d 729 (9th Cir. 1990) require use of a flat rate to calculate prejudgment interest, as opposed to historical rates approved of by the Ninth Circuit in *Nelson v. EG&G Energy Measurements Group, Inc.*, 37 F.3d 1384, 1391-92 (9th Cir. 1994).

[5] Neither *Procter & Gamble Co. v. Haugen*, No. 1:95-CV-94 TS, 2008 WL 2518719 (D. Utah June 20, 2008) nor *SEB S.A. v. Sunbeam Corp*., No. 02-80257-CIV, 2004 WL 5564188 (S.D. Fla. Mar. 22, 2004), both cited by SAP, provide authority for the Siebel acquisition date as the date all prejudgment interest should begin to accrue. The court in *Procter* used a 1998 date instead of a 1995 date because damages were incurred over a two-and-one-half-year period and defendant argued that the majority of damages were not incurred until 1998. The court in *SEB S.A.* used the date of the verdict as the applicable date for prejudgment interest, because the plaintiff presented four alternative dates on which damages arose leading the court to conclude that a fixed date was not ascertainable. The parties here agree that January 19, 2005 is the date on which infringement began.

SAP raises two issues in addition to prejudgment interest.

As to the proposed injunctive relief, SAP requests that the Court order destruction, rather than return, of the infringing materials in Defendants' possession, custody or control. *See* SAP's opposition at 11-14. Oracle did not request, and does not seek, a disposition of the infringing materials other than destruction (although it notes that SAP's brief contradicts numerous discovery certifications and orders regarding the supposed productions of all potentially infringing materials). Accordingly, Oracle will agree to SAP's destruction request provided that the judgment makes clear that none of the infringing materials may be altered or destroyed during the pendency of *any related litigation*, including Oracle's related litigation against Rimini Street pending in the District of Nevada. If permitted, Oracle will submit a revised proposed judgment with its reply that will clarify this point.

Finally, as Oracle would make clear in a full reply, SAP's request for inclusion of claims that have already been dismissed is not appropriate or warranted. These claims have already been dismissed by stipulation of the Parties, and now entered as Orders of this Court. *See, e.g.*, Amended Trial Stipulation and Order No. 1 Regarding Liability, Dismissal of Claims, Preservation of Defenses, and Objections to Evidence at Trial, Dkt. No. 965; Trial Stipulation and Order Regarding Contributory Infringement Liability, Dkt. No. 966.

Accordingly, Oracle requests the Court either enter its proposed form of judgment, or if the Court is inclined to consider the supplemental briefing from SAP, Oracle requests one week to reply to SAP's opposition in full.

DATED: December 27, 2010

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