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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-1658 PJH (EDL)

[PROPOSED] ORDER GRANTING DEFENDANTS' RENEWED MOTION FOR JUDGMENT AS A MATTER OF LAW AND NEW TRIAL MOTION

Having considered Defendants' Renewed Motion for Judgment as a Matter of Law and New Trial Motion, the supporting declaration of Tharan Gregory Lanier, and exhibits thereto, which were filed with the Court on February 23, 2011:

IT IS HEREBY ORDERED THAT: Defendants' motions are GRANTED.

Judgment as a Matter of Law

Defendants renewed their motion for judgment as a matter of law pursuant to Rule 50(b) of the Federal Rules of Civil Procedure ("Rule 50(b)") that Oracle is not entitled to actual damages for copyright infringement in the form of a hypothetical license because Oracle did not establish that, but for infringement, it would have licensed the asserted copyrighted works for the use at issue and, alternatively, because Oracle did not present a sufficient evidentiary basis for its hypothetical license claim, resulting in an award based on undue speculation.

Judgment as a matter of law is warranted if "there is no legally sufficient evidentiary basis for a reasonable jury" to find for the non-movant. Fed. R. Civ. P. 50(a)-(b). Although the court views "the evidence in the light most favorable to the party in whose favor the jury returned a verdict" and draws all reasonable inferences in that party's favor, "a reasonable inference cannot be supported by only threadbare conclusory statements instead of significant probative evidence." *Lakeside-Scott v. Multnomah County*, 556 F.3d 797, 802 (9th Cir. 2009). To defeat a motion for judgment as a matter of law, "the nonmoving party must come forward with more than . . . a scintilla of evidence." *Miller v. Glenn Miller Prods.*, 454 F.3d 975, 988 (9th Cir. 2006) (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 252 (1986)). "Consequently, judgment as a matter of law is appropriate when the jury could have relied only on speculation to reach its verdict." *Id.*

Section 504 of the Copyright Act allows recovery of either statutory damages, or "the actual damages suffered by [the copyright owner] as a result of the infringement" plus "any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages." 17 U.S.C. § 504(a)-(b). Actual damages are calculated "by the loss in the fair market value of the copyright," which is determined by either "the profits lost due to the infringement" or the "value of the use of the copyrighted work to the infringer." *Polar Bear Prods., Inc. v. Timex Corp.*, 384 F.3d 700, 708 (9th Cir. 2004). The most common and

well-accepted way to measure "actual damages" is to prove a plaintiff's lost profits. *Baker v. Urban Outfitters, Inc.*, 254 F. Supp. 2d 346, 356 (S.D.N.Y. 2003). However, where the plaintiff's injury consists of lost or reduced license fees from the defendant or third parties, courts have in appropriate cases permitted recovery in the form of a hypothetical license fee. *See Jarvis v. K2, Inc.*, 486 F.3d 526, 533 (9th Cir. 2007); *Cream Records, Inc. v. Jos. Schlitz Brewing Co.*, 754 F.2d 826 (9th Cir. 1985). Because the Copyright Act requires as a predicate to recovery of actual damages proof that the infringement caused harm to the copyright owner, a plaintiff may recover hypothetical license damages if it proves that, but for the infringement, the parties would have agreed to such a license or that it would have licensed a third party for the same use, but such a license never materialized due to the infringement. *See id.*

If a plaintiff succeeds in establishing that it actually lost license fees, the amount of the hypothetical license is calculated by considering "'what a willing buyer would have been reasonably required to pay to a willing seller' for plaintiffs' work . . . at the hypothetical time of sale." *Jarvis*, 486 F.3d at 533-34 (quoting *Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1174 (9th Cir. 1977)). Courts "recognize that awarding the copyright owner the lost license fee can risk abuse," because "[o]nce the defendant has infringed, the owner may claim unreasonable amounts as the license fee." *Davis v. The Gap, Inc.*, 246 F.3d 152, 166 (2d Cir. 2001). Thus, determining the hypothetical license price requires an "objective, not a subjective" analysis, and "[e]xcessively speculative" claims must be rejected. *Jarvis*, 486 F.3d at 534; *Polar Bear*, 384 F.3d at 709; *Davis*, 246 F.3d at 166. To establish a non-speculative license price, courts require objective evidence of benchmark transactions, such as licenses previously negotiated for comparable use of the infringed work and benchmark licenses for comparable uses of comparable works. *See Jarvis*, 486 F.3d at 533; *Polar Bear*, 384 F.3d at 709. Subjective evidence alone cannot establish a non-speculative license price. *See Smith v. Rush*, No. C04-2280Z, 2006 U.S. Dist. LEXIS 27412, at *2-3 (W.D. Wash. Apr. 7, 2006); *Leland Med. Ctr. v. Weiss*, No. 4:07cv67, 2007 WL 2900599, at *6-8 (E.D. Tex. Sept. 28, 2007). Thus, courts preclude recovery of hypothetical license damages in the absence of objective, non-speculative evidence to quantify the fee. *See Bi-Rite v. Button Master*, 578 F. Supp. 59, 60 (S.D.N.Y. 1983);

Smith, 2006 U.S. Dist. LEXIS 27412, at *2-3; *Techs., S.A. v. Cyrano, Inc.*, 460 F. Supp. 2d 197, 200-03 (D. Mass. 2006).

At trial, Oracle did not contend that it is entitled to a hypothetical license because it lost the opportunity to license the works to third parties for the same use as was made by TomorrowNow. Thus, to establish its entitlement to recover hypothetical license damages, Oracle was required to show that the parties would have agreed to license for the use of the copyrighted works at issue. But Oracle offered none of the evidence on which plaintiffs typically rely to prove that the parties would have entered into such a license, such as past licensing history between the parties or plaintiffs' previous licensing practices. *See Polar Bear*, 384 F.3d at 711 (parties would have agreed to license because they had licensed in the past); *Davis*, 246 F.3d at 161-62 (parties would have agreed to license because they did not compete and plaintiff had licensed work in the past). Moreover, the evidence that Oracle did present at trial, including testimony by its executives that such a license would not have made business sense and evidence of the parties' fierce competition, proved that the parties would never have agreed to a license.

Moreover, even if Oracle were entitled to pursue hypothetical license damages, the evidence that Oracle offered to quantify its hypothetical license claim was insufficient to establish an objective, non-speculative license price. At trial, Oracle did not offer any of the objective evidence on which courts rely to calculate the price of a hypothetical license, like previously negotiated licenses for the work at issue or other benchmark licenses. Both Oracle and SAP witnesses confirmed that no such past licensing history or benchmark licenses exist. Instead, Oracle offered evidence of the price Oracle claimed it would have demanded for the license, the value of its intellectual property as a whole, liability evidence relating to stipulated claims, and expert testimony offering a calculation of the license price primarily based on an analysis of evidence reflecting only SAP's subjective hopes, goals, and assumptions. Such evidence was too speculative a basis on which to ground the damages award.

Accordingly, the Court grants Defendants' renewed motion for judgment as a matter of law.

New Trial

Defendants also filed a new trial motion based on their claim that the jury award is grossly excessive, against the weight of the evidence, and resulted in a miscarriage of justice.

A new trial may be granted "for any reason for which a new trial has heretofore been granted in an action at law in federal court," including: the verdict is against the weight of the evidence, the damages are excessive, to prevent a miscarriage of justice, or, for other reasons, the trial was not fair to the moving party. Fed. R. Civ. P. 59(a); *see also Molski v. M.J. Cable, Inc.*, 481 F.3d 724, 729 (9th Cir. 2007) (internal citations omitted). In considering a motion for new trial, "[t]he judge can weigh the evidence and assess the credibility of witnesses, and need not view the evidence from the perspective most favorable to the prevailing party." *Air-Sea Forwarders, Inc. v. Air Asia Co., Ltd.*, 880 F.2d 176, 190 (9th Cir. 1989). A jury award cannot be upheld where "it is clearly not supported by the evidence or only based on speculation or guesswork." *In re First Alliance Mortg. Co.*, 471 F.3d 977, 1001 (9th Cir. 2006). And a damages award must be vacated where it is "so grossly excessive that it shock[s] the conscience." *Herrington v. County of Sonoma*, 883 F.2d 739, 741 (9th Cir. 1989). In determining whether damages are excessive, "the [c]ourt must focus on evidence of the qualitative harm suffered by plaintiff." *Drew v. Equifax Info. Servs., LLC*, No. C 07-00726 SI, 2010 WL 5022466, at *4 (N.D. Cal. Dec. 3, 2010). Where a damages award is excessive, the court "has the power to order a remittitur . . . and if plaintiff does not agree to the remittitur, a new trial." *Anglo-American Gen. Agents v. Jackson Nat'l Life Ins. Co.*, 83 F.R.D. 41, 45 (N.D. Cal. 1979).

The jury's award of hypothetical license damages totaling $1.3 billion was contrary to the weight of the evidence and grossly excessive. The verdict was based on Oracle's legally improper hypothetical license theory and the unduly speculative evidence Oracle offered in support, rather than on evidence of Defendants' actual use of the copyrighted works and the objectively verifiable number of customers lost as a result. Oracle presented irrelevant evidence of purported value of intellectual property as a whole, elicited self-serving testimony of its executives regarding the price they might have demanded in an admittedly fictional negotiation, and tendered the wholly speculative opinion of its damages expert, which was based on little more than guesses about the

parties' purported expectations based on documents that evinced only one party's subjective hopes, goals, and assumptions. At the same time, Oracle urged the jury to disregard evidence of Oracle's actual customer losses resulting from infringement. Consequently, the verdict grossly exceeded the actual harm to Oracle in the form of lost customers, which was quantified by both sides' experts (at $28 million by SAP's expert and at $408.7 million by Oracle's expert). Oracle's daily presentation of prejudicial liability evidence, irrelevant to calculating damages, further distracted and inflamed the jury.

To prevent a miscarriage of justice, the Court grants Defendants' new trial motion.

* * *

For the reasons set forth above and as a remedy under both of Defendants' motions, the Court remits the verdict to $28 million, which represents the maximum amount of lost profits and infringer's profits sustainable by the proof. Should Oracle decline remittitur, the Court will order a new trial to determine Oracle's damages based on lost profits and infringer's profits.

IT IS SO ORDERED.

DATED: _____ By: _____
Hon. Phyllis J. Hamilton