BINGHAM MCCUTCHEN LLP
DONN P. PICKETT (SBN 72257)
GEOFFREY M. HOWARD (SBN 157468)
ZACHARY J. ALINDER (SBN 209009)
BREE HANN (SBN 215695)
Three Embarcadero Center
San Francisco, CA 94111-4067
Telephone: 415.393.2000
Facsimile: 415.393.2286
donn.pickett@bingham.com
geoff.howard@bingham.com
holly.house@bingham.com
zachary.alinder@bingham.com
bree.hann@bingham.com

BOIES, SCHILLER & FLEXNER LLP
DAVID BOIES (Admitted Pro Hac Vice)
333 Main Street
Armonk, NY 10504
Telephone: (914) 749-8200
Facsimile: (914) 749-8300
dboies@bsfllp.com
STEVEN C. HOLTZMAN (SBN 144177)
FRED NORTON (SBN 224725)
1999 Harrison St., Suite 900
Oakland, CA 94612
Telephone: (510) 874-1000
Facsimile: (510) 874-1460
sholtzman@bsfllp.com
fnorton@bsfllp.com

DORIAN DALEY (SBN 129049)
JENNIFER GLOSS (SBN 154227)
500 Oracle Parkway, M/S 5op7
Redwood City, CA 94070
Telephone: 650.506.4846
Facsimile: 650.506.7144
dorian.daley@oracle.com
jennifer.gloss@oracle.com

Attorneys for Plaintiffs Oracle USA, Inc., *et al.*

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION

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| ORACLE USA, INC., *et al.*,<br><br>Plaintiffs,<br>v.<br><br>SAP AG, *et al.*,<br><br>Defendants. | No. 07-CV-01658 PJH (EDL)<br><br>ORACLE'S NOTICE OF MOTION AND MOTION FOR 1292(b) CERTIFICATION FOR INTERLOCUTORY REVIEW; MEMO OF POINTS AND AUTHORITIES<br><br>Date: N/A<br>Time: N/A<br>Place: 3rd Floor, Courtroom 3<br>Judge: Hon. Phyllis J. Hamilton |

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## NOTICE OF MOTION AND MOTION

PLEASE TAKE NOTICE THAT in the United States District Court, Northern District of California, Oakland Division, located at 1301 Clay Street, Oakland, California, Courtroom 3, 3rd Floor, before the Hon. Phyllis J. Hamilton, Plaintiff Oracle International Corp. ("Oracle") will and does hereby bring a motion to request that the Court amend its Order Granting Defendants' Motion for JMOL, and Motion for New Trial; Order Denying Plaintiffs' Motion for New Trial; Order Partially Vacating Judgment (the "Post-Trial Order") to certify the Post-Trial Order, as clarified by the Order of September 16, 2011 ("Clarification Order"), and the Clarification Order, for interlocutory review, pursuant to 28 U.S.C. 1292(b) and Fed. R. App. Proc. 5(a)(3). This motion is based upon this Notice of Motion and Motion and Memorandum of Points and Authorities, the Post-Trial Order, the Order dated September 16, 2011, the evidence at trial, the jury instructions and verdict, and the related prior motions, briefing, and orders. Pursuant to the Order dated September 16, 2011, the Court will decide this motion on the papers.

## REQUESTED RELIEF

In response to the Court's Order clarifying the basis for post-trial relief and inviting Oracle to file a new motion for certification, Oracle respectfully requests that the Court certify for interlocutory appeal the Post-Trial Order, as clarified by the Clarification Order, and the Clarification Order itself, because they involve the following controlling questions of law as to which there is substantial ground for difference of opinion and an immediate appeal may materially advance the ultimate termination of the litigation:

1. Whether copyright damages measured by the amount a willing buyer would have paid a willing seller for a hypothetical license to the rights infringed are sufficiently established by evidence of: (a) the infringer's contemporaneous projections of the profits it would realize from use of the rights, (b) the copyright owner's contemporaneous evidence valuing the business it would lose if it licensed those rights, and (c) reliable expert testimony as to the fair market value of a hypothetical license to the rights, based upon that evidence.

2. Whether a jury's assessment of the fair market value of the rights infringed may be set aside as speculative when based upon such objective evidence.

3. Whether a jury's verdict falling within the reasonable range of hypothetical-license damages established by such objective evidence, may be set aside as excessive.

## MEMORANDUM OF POINTS AND AUTHORITIES

## I. INTRODUCTION

Oracle presented extensive evidence of the value that each party placed on the rights infringed. Based on that evidence, the jury concluded that Oracle was entitled to a hypothetical license award of $1.3 billion. The Court set that verdict aside as speculative, and explained in its Clarification Order that its decision was based on Oracle's supposed failure to "provide objective evidence of what a willing buyer would have paid" or "evidence sufficient to allow the jury to assess fair market value without undue speculation." (Clarification Order at 2:20-22). Even as clarified, the Post-Trial Order should be certified for interlocutory review, for it conflicts with decisions of the Ninth Circuit and other court of appeals decisions that take a broader view of the evidence sufficient to establish hypothetical-license damages. Moreover, certification will serve the interests of judicial economy. Given the amount at stake and the unsettled legal questions, this case will inevitably reach the Ninth Circuit, either now or after the new trial that the Court has ordered. It is far better that appellate review occur now: interlocutory review may avoid the need for a new trial altogether and, if a new trial is held, such review will help ensure that the trial's scope comports with definitive Ninth Circuit law.

## II. ARGUMENT

Interlocutory appeal is the exception, not the rule, but it is warranted here, because the Post-Trial Order involves a controlling question of law, as to which there is substantial ground for difference of opinion, and a resolution thereof will materially advance the termination of this litigation. 28 U.S.C. § 1292(b); *see Via Techs., Inc. v. Sonicblue Claims, LLC*, No. C 09–2109 PJH, 2011 WL 2437425, at *1 (N.D. Cal. June 17, 2011). The party seeking certification of an interlocutory appeal has the burden to show the presence of those exceptional circumstances. *Coopers & Lybrand v. Livesay*, 437 U.S. 463, 474 (1978).

Each of these three 1292(b) requirements is clearly satisfied here.

### 1. The Post-Trial Order Poses Controlling Questions Of Law

A question of law is "controlling" if its resolution on appeal could "materially affect the outcome of the litigation in the district court." *In re Cement Antitrust Litig.*, 673 F.2d 1020, 1026 (9th Cir. 1982), *aff'd sub nom. Arizona v. Ash Grove Cement Co.*, 459 U.S. 1190 (1983); *United States Rubber Co. v. Wright,* 359 F.2d 784, 785 (9th Cir. 1966) (per curiam). Review of the order need not be outcome-determinative; reversal of the order need not terminate the litigation. *Kuehner v. Dickinson & Co.*, 84 F.3d 316, 319 (9th Cir. 1996) (order denying arbitration involved controlling question because it "could cause the needless expense and delay of litigating an entire case"). Instead, "a court will require only that the appeal present a controlling question of law on an issue whose determination may materially advance the ultimate termination of the case." 19 JAMES WM. MOORE ET AL., MOORE'S FEDERAL PRACTICE § 203.31[3] (3d ed. 1997).

The post-trial orders pose three controlling questions of law, set forth above. Pp. 1-2. These questions directly control the outcome of this case. They control whether the verdict stands, whether a new trial will be conducted, and if so whether Oracle can seek hypothetical-license damages. If Oracle's evidence was sufficient and not unduly speculative, then granting JMOL was reversible error. If the jury's verdict cannot be set aside, then granting a new trial was error. Together these questions control the outcome. If the JMOL and grant of new trial are both error, the original judgment for Oracle must be reinstated. If the JMOL is error but the grant of new trial affirmed, there will be no apparent basis for limiting the new trial to lost profits and infringer's profits. (Post-Trial Order at 19:21-22). It is well established that interlocutory appeal is appropriate to resolve a controlling question on the availability of damages. *See, e.g.*, *Westlands Water Dist. v. Amoco Chem. Co.*, 953 F.2d 1109, 1110, 1113 (9th Cir. 1991) (on § 1292(b) appeal, reversing order that had precluded punitive damages); *Alvarado v. Cajun Operating Co.*, 588 F.3d 1261, 1263-64 (9th Cir. 2009) (§ 1292(b) appeal reviewing pre-trial order precluding damages).

### 2. There Are Substantial Grounds For Difference Of Opinion

As this Court has noted, "Substantial grounds for a difference of opinion required to certify an order for interlocutory review arise when an issue involves one or more difficult and pivotal questions of law not settled by controlling authority." *Via Techs.*, 2011 WL 2437425, at *1. In *Via Technologies,* the Court found "substantial grounds for difference of opinion" where the court was "unable to locate any definitive authority that answered the exact question raised by the" controlling legal issues. *Id.* at *2; *accord*, *Reese v. BP Exploration (Alaska) Inc.*, 643 F.3d 681, 687-88 (9th Cir. 2011) **(**"[W]hen novel legal issues are presented, on which fair-minded jurists might reach contradictory conclusions, a novel issue may be certified for interlocutory appeal without first awaiting development of contradictory precedent."); *Klinghoffer v. S.N.C. Achille Lauro Ed Altri-Gestione Motonave Achille Lauro in Amministrazione Straordinaria,* 921 F.2d 21, 25 (2d Cir. 1990) (district court properly found "substantial grounds for difference of opinion" under section 1292(b) because issues were "difficult and of first impression").

Here, too, there is substantial ground for difference of opinion, as to each of the three questions laid out above.

**a. Whether There Is Sufficient Objective Evidence As A Matter Of Law To Establish The Amount A Willing Buyer Would Have Paid A Willing Seller.**

First, there is substantial ground for difference of opinion as to whether there was sufficient objective evidence at trial to establish the amount a willing buyer would have paid a willing seller for a license. No one disputes that the market-value approach must be objective. The Court's Post-Trial Order and Clarification Order, however, restrict the scope of that objective evidence in a manner that conflicts with precedent.

The cases cited by the Court, Post-Trial Order at 6:4-6 and 11:4-7, stand merely for the uncontroversial proposition that the "market value approach is an objective, not subjective analysis." *E.g.*, *Jarvis v. K2 Inc.*, 486 F.3d 526, 534 (9th Cir. 2007) (quoting *Mackie v. Rieser*, 296 F.3d 909, 917 (9th Cir. 2002)). By "objective," they mean only that valuation refers to the market value of the license, not the copyright owner's subjective valuation. Thus, *Jarvis* held that the lower court's analysis in that case was sufficiently "objective" because it "avoid[ed] references to what Jarvis thought he should have earned or wished he had charged."

486 F.3d at 534. *Mackie* held that personal feelings unrelated to market value were impermissibly subjective: the infringement admittedly "did not in any way influence the market value" of the work, so "Mackie sought to introduce evidence of his personal objections to the manipulation of his artwork. . . . [T]he market value approach is an objective, not a subjective, analysis. Consequently, Mackie's subjective view, which really boils down to 'hurt feelings' over the nature of the infringement, has no place in this calculus." 296 F.3d at 917. The cited portion of *On Davis* similarly distinguishes the owner's personal belief as to value from the objective market value: "The question is not what the owner would have charged, but rather what is the fair market value." *On Davis v. The Gap, Inc.*, 246 F.3d 152, 166 (2d Cir. 2001). And apart from confirming the Ninth Circuit's adoption of the hypothetical-license damages theory in copyright law, *Polar Bear Products, Inc. v. Timex Corp.*, 384 F.3d 700, 709 (9th Cir. 2004) does not require any particular method of proving those damages. The only damage award it rejected was a lost profit award based on the return plaintiff claimed it would have earned by investing the license fee defendant didn't pay. It rejected that award based on causation. These cases merely specify the ***measure*** of damages – objective market value rather than personal belief.

The Court's Orders incorrectly interpreted this body of law by requiring that this objective value could be proved only by particular kinds of ***evidence.*** The only form of acceptable evidence identified by the Court in either Order is prior actual license transactions or "benchmark licenses" for the same or comparable works:

> [T]he evidence Oracle presented was insufficient to establish an objective non-speculative license price. Determining a hypothetical license price requires an "objective, not a subjective" analysis, and "[e]xcessively speculative" claims must be rejected. [Citations] *An objective, non-speculative license price is established through 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. [Citations]

(Post-Trial Order at 11:3-11 [italics added]; *see* Clarification Order at 2:23-26 ["one way to establish an objective, non-speculative license price is by providing evidence of licenses previously negotiated for comparable use of the infringed work, and benchmark licenses for comparable uses of comparable works"]).

This overly narrow interpretation of what kind of evidence suffices to establish objective market value raises substantial ground for disagreement. As the Court correctly clarified, the Ninth Circuit's precedents do not require evidence of ***actual*** benchmark licenses or prior transactions in order to prove ***hypothetical***-license value as a matter of law. (*See* Oracle's Certification Motion (Docket No. 1085, filed 9/12/2011) at 5:23-7:24; Clarification Order at 2:8-13 ["The court did not hold as a matter of law" that the copyright owner must prove "actual 'benchmark' licenses."]). Numerous decisions have affirmed hypothetical-license damages without evidence of prior transactions.

Even as clarified, however, the Post-Trial Order conflicts with Court of Appeals precedents in finding insufficient the ***particular kinds*** of objective evidence that Oracle submitted. In other cases, courts have found the parties' contemporaneous projections of defendants' anticipated profits or plaintiffs' anticipated losses – what they would have brought with them to the negotiating table – the ideal evidence from which to value a hypothetical license. Here Oracle presented exactly that kind of objective evidence, wholly apart from Oracle's "personal" beliefs or "wishe[s]." *Mackie*, 296 F.3d at 917; *Jarvis*, 486 F.3d at 534.

The *Georgia-Pacific* court itself, in a case with no reliable benchmark transaction and involving competitors who would not actually license to each other, relied upon defendant's "profit expectations" in finding that defendant "would have been willing to pay a substantial royalty to [plaintiff] in order to obtain reasonably anticipated large profits." *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1130-31 (S.D.N.Y. 1970), *modified and aff'd*, 446 F.2d 295 (2d Cir. 1971). Courts applying *Georgia-Pacific* have affirmed hypothetical-license damages based on similar projections.

For example, in *Interactive Pictures Corp. v. Infinite Pictures, Inc.*, 274 F.3d 1371 (Fed. Cir. 2001), plaintiff relied on defendant's contemporaneous business plan to establish a range of anticipated sales for the infringing product. *Id.* at 1384. Plaintiff then calculated the corresponding range of hypothetical-license damages based on revenue from those anticipated sales. *Id.* The jury awarded damages according to the lower range of these projections. *Id.* On appeal, defendant challenged plaintiff's reliance on its business plan as speculative, claiming the plan's projections were based on "optimistic assumptions of future growth." *Id.* The Federal Circuit soundly rejected this argument. As the court reasoned, plaintiff did not engage in "speculation [or] guesswork" by relying on defendant's own projections. *Id.* at 1385. To the contrary, plaintiff analyzed the very information that "would have been available to [defendant] at the time of the hypothetical negotiation." *Id.* Consequently, the court affirmed the award of hypothetical-license damages based on plaintiff's evidence of the "infringer's expected sales." *Id*. at 1384; *see also Snellman v. Ricoh Co.*, 862 F.2d 283, 289 (Fed. Cir. 1988) (affirming jury's consideration of internal "document projecting [defendant's] anticipated sale" of infringing products in support of hypothetical-license damages); *TWM Mfg. Co., Inc. v. Dura Corp*., 789 F.2d 895, 900 (Fed. Cir. 1986) (affirming hypothetical-license damages based on "pre-infringement internal memorandum" on defendant's anticipated profits).

Similarly, in *Finjan, Inc. v. Secure Computing Corp*., 626 F.3d 1197 (Fed. Cir. 2010), plaintiff presented evidence of competitor-defendants' profit margins as a "reflection of the profits [defendants] might have anticipated" to gain from the sale of infringing products. *Id.* at 1210. In contrast, defendants presented evidence of plaintiff's prior license to a non-competitor. *Id.* at 1211-12. The jury disregarded the prior license and awarded damages based on defendant's anticipated profits. *Id.* On appeal, the Federal Circuit affirmed the jury's award. *Id.* at 1212. Given the differences between the plaintiff's prior licensing scenario and a "hypothetical negotiation with [d]efendants," the jury was permitted to discount the prior license. *Id*. The jury had a "reasonable basis" to conclude that evidence of defendants' anticipated profits was more probative of the value of a hypothetical license than evidence of plaintiff's licensing history. *Id.* *Finjan* confirms that a verdict for hypothetical-license damages need not rest on past license transactions, and indeed the jury may ***ignore*** evidence of such transactions.

As in *Interactive Pictures* and *Finjan,* Oracle presented objective evidence valuing SAP's anticipated profits at the time of the infringement. Pp. 10-12 below. SAP's expectation of gaining well over $1 billion in future profits establishes a reasonable basis for the jury's award of hypothetical-license damages. *Accord Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1080-81 (Fed. Cir. 1983) (affirming award of hypothetical-license damages based on defendant's estimated cost savings from use of the infringing product).

Likewise, Oracle's contemporaneous expectation of maintenance revenues, customer retention, and profits based on historical profit margin (*see* pp. 10-11 below) is objective evidence supporting a hypothetical license value under *Georgia-Pacific*. As the *Georgia-Pacific* court explained, the amount of profits that a plaintiff could "expect to continue to make on its sales of [product] by licensing no one . . . is of major relevance to the determination of the amount of royalty that [plaintiff ] would accept from [defendant] and that [defendant] would offer." 318 F. Supp. at 1127. Where, as here, plaintiff was enjoying profits and was in a position to retain the entire market, "[in] the hypothetical negotiations, [plaintiff] would have been reasonable in taking the position that it would not accept a royalty significantly less than the profit it was making by its policy of licensing no one to sell [the intellectual property]." *Id.*

The opinion in *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538 (Fed. Cir. 1995) provides a useful illustration of this principle. In *Rite-Hite*, plaintiff presented evidence of its "estimated lost profits" due to infringement. *Id.* at 1554. The district court then determined that plaintiff would have licensed the invention "*only* if it received a royalty of no less than one-half of the per unit profits that it was foregoing." *Id.* The district court's determination was based on evidence that the patent was a "pioneer" patent with manifest commercial success; that plaintiff had consistently followed a policy of exploiting its own patents, rather than licensing to competitors; and that plaintiff would have had to forego a large profit by granting a license to a strong competitor. *Id.* On appeal, the Federal Circuit ruled it was reasonable for the district court to find that "an unwilling patentee would only license for one-half its expected lost profits and that such an amount was a reasonable royalty." *Id.* at 1555.

Similar to *Rite-Hite*, Oracle was at least a reluctant licensor of intellectual property with manifest commercial success. Oracle presented evidence of the profits it expected – $1.82 billion or more – from the customers that (we now know) SAP expected to take away by using Oracle's software. P. 11, below. Such evidence of Oracle's contemporaneous profit expectations, from the customers that Oracle would expect to lose by granting SAP a license, establishes an independent reasonable basis for the jury's award of hypothetical-license damages.

Further, while these cases were decided in the context of patent infringement, there is no logical or legal reason why the definition of "objective" evidence would differ between patent and copyright law. To the contrary, the same considerations apply equally to copyright infringement – as SAP has conceded. Tr. 1982:1-24[1] (argument re jury instructions) (SAP conceding that "[o]nce you get to the valuation, *Georgia-Pacific* is appropriate"). *See Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1174 & n.20 (9th Cir. 1977) (copyright distinction between "what a willing buyer would have been reasonably required to pay to a willing seller for plaintiffs' work" and infringer's profits represents the "same distinction [that] is recognized in patent cases"); *Univ. Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518, 535 (5th Cir. 1974) (noting patent infringement cases are used by analogy to determine the damages for copyright infringement); *see also* 4 NIMMER ON COPYRIGHT § 14.02[B][1] at 14-22 (Matthew Bender, Rev. Ed. 2009) ("[T]he similarities between this [patent] reasonable royalty rule and . . . [the copyright] value of use theory are apparent."). *See generally Gardner v. Nike, Inc.*, 279 F.3d 774, 778 (9th Cir. 2002) ("Where precedent in copyright cases is lacking, it is appropriate to look for guidance to patent law 'because of the historic kinship between patent law and copyright law.'") (internal citation omitted). Any doubt whether willing buyer/willing seller license fees are calculated similarly in copyright and patent cases would itself pose a question as to which there is a substantial ground for difference of opinion.

Here Oracle introduced objective, expert opinion directly supporting the jury's

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[1] The trial transcript excerpts, exhibits and deposition testimony cited in this motion are attached to the Declaration of Lisa Chin In Support of Oracle's Opposition to SAP's Motion for JMOL or New Trial, Dkt. 1058. Trial testimony is Exhibit A to that declaration, and is cited as "[Witness] Page:Line"; other trial proceedings as "Tr. Page:Line." Trial exhibits are Exhibits I to UU to that declaration and are cited as PTX. Deposition testimony played to the jury but not re-transcribed is Exhibits B to H of that declaration and is cited as "[Witness] Depo Page:Line."

$1.3 billion verdict.  Based on the parties' contemporaneous documents, Oracle's expert Meyer, whose testimony was held qualified, reliable, and admissible, calculated the amounts that SAP stood to gain and Oracle stood to forego if SAP were allowed to use Oracle's software.  Those amounts included maintenance revenue for customers who switched to SAP for maintenance, and license revenue for customers who converted to SAP software.

To determine the profit SAP would have expected to make, Meyer used SAP's average per-customer revenues obtained from SAP's documents, SAP's costs (30% of revenue), and an expected attrition rate of 3.5% customers per year, and reduced the profits to present value using SAP's discount factor of 14%.  Meyer 995:2-998:1; Chin Decl., Ex. P (PTX 12). Using this methodology and these figures, Meyer calculated the profits that SAP stood to gain from its use of Oracle software through October 2008, when it shut down TomorrowNow, depending on the number of customers that switched to SAP for maintenance and converted to SAP software.  Meyer 993:9-1001:19.  He opined that if 3,000 customers switched to SAP for maintenance, 2,000 of whom converted to SAP software, SAP would gain $1.2 billion.  Meyer 999:1-1001:4.  Indeed, depending on revenue per year, SAP might gain far more.  Meyer 1001:18-1002:8.[2]

Meyer's methods were similar, and equally grounded in objective contemporaneous evidence, for Oracle's side of the equation.  To determine the amount that Oracle stood to lose, he determined the total revenue lost based on number of customers, multiplied by the profit margin, and discounted to present value.  Meyer 1011:13-1013:16.  He based his opinion on documents showing how Oracle ***actually valued*** its business when a license would have been negotiated, *i.e.* when SAP's infringement began.  Meyer 1011:13-1013:16; Chin Decl. Exs. Q (PTX 13), JJ (PTX 615).  He used Oracle's documented average revenue per customer at the time, $130,000.  Meyer 1012:17-22; Chin Decl. Ex. JJ (PTX 615).  This figure

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[2] For simplicity, we focus here on the portion of the evidence relating to PeopleSoft, which was the largest portion of Meyer's analysis.  Meyer opined that Oracle sustained still further damage related to its Siebel and database software.  Meyer 1036:22-1037:7, 1047:1-11, 1048:20-25.

came from the very valuation model that Oracle relied on in deciding to buy PeopleSoft. Meyer 1011:13-21 (Meyer used information from the "model that Ms. Catz talked about yesterday" to provide "financial information about average revenue and attrition rates and other information that would be known about Oracle's potential revenues and profits from the PeopleSoft customers"), 1012:17-22 ($130,000 figure came "from Oracle's valuation documents"); Catz 845:12-846:21 (this model was basis for deciding to buy PeopleSoft). He used Oracle's historical 80% profit margin taken from Oracle's own financial records. Meyer 1012:17-18; Chin Decl. Ex. Q (PTX 13). He used Oracle's 3.5% attrition rate taken from its PeopleSoft valuation model. Meyer 1011:16-21, 1012:13-16; Chin Decl Ex. Q (PTX 13). The calculation covered ten years because customers typically use the same software for many years. Meyer 1013:5-8; Chin Decl. Exs. Q (PTX 13), JJ (PTX 615). He discounted to present value using the same 10% discount rate Oracle used when purchasing PeopleSoft and J.D. Edwards in 2005. Meyer 1012:23-1013:4; Chin Decl. Ex. Q (PTX 13).

Using these assumptions, Meyer calculated that, by allowing SAP to use the software, if Oracle lost 3,000 maintenance customers to SAP, of whom 1,375 converted to SAP software, Oracle would forego $1.36 billion in profits. Meyer 1013:20-1014:22. If Oracle lost 3,000 maintenance customers of whom 2,000 converted, Oracle would forego $1.82 billion in profits. Meyer 1014:17-25. If even more converted, Oracle would forego nearly $2.5 billion in profits. Meyer 1014:23-1015:1.

Meyer then put SAP's anticipated gain and Oracle's anticipated foregone profits together to yield a reasonable range for a license. Using the middle-of-the-range assumption that 2,000 customers would have converted, he opined, the fair market value of the right to use Oracle's software was at least $1.5 billion. Meyer 1016:7-17.

This estimate was fully supported by contemporaneous SAP documents projecting that 3,000 customers would switch to SAP maintenance, and 2,000 or more customers would convert to SAP software, as well as related testimony of members of SAP's own board of directors.[3] Brandt and Agassi considered these numbers SAP's internal business "projections," contrary to SAP's position at trial that they were mere hopes and desires. Agassi admitted that the revenue and customer numbers were "projections" from a "business proposal," or "case," presented to SAP's board. Chin Decl. Ex. B (Agassi Depo.) 310:25-311:5. Brandt, referring to the board presentation projecting 3,000 customers switching, similarly admitted that "[i]t was ***projected*** that you would get almost $900 million in revenues over the initial three years of the program." Brandt 684:15-19 (emphasis supplied). Not only did Agassi ***not*** think these conversion numbers were pie-in-the-sky, he thought "we could do better." Chin Decl. Ex. B (Agassi Depo.) 311:15. The numbers were developed with "extensive guidance" from SAP's executive board members responsible for the business units affected: Henning Kagermann (CEO), Leo Apotheker (head of sales), Gerd Oswald (head of service), and Shai Agassi (head of products). Chin Decl. Ex. SS (PTX 4814). And still again, PTX 161, recording a January 2005 integration meeting between SAP and TomorrowNow, identifies two "scenarios" only: 2,000 customers switching or 4,000 customers switching. Chin Decl. Ex. AA. Far from marketing hype, the projections were an ***internal*** projection to the ***Board***.

Oracle is aware of no decision before this Court's Post-Trial Order that has ever rejected as insufficient such objective evidence of hypothetical-license damages based on the infringer's contemporaneous projections of gain, the copyright owner's contemporaneous projections of value, and expert testimony that itself was based on the infringer's projections. The Court's decision to reject such evidence as insufficient gives rise to a difference of opinion warranting certification for interlocutory review.

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[3] Under SAP's contemporaneous projections, the assumption that 2,000 customers would convert was ***conservative***. *E.g.*, Brandt 682:12-20 (SAP's goal through the SafePassage program was "to convert approximately 50 percent of the PeopleSoft and J.D. Edwards customer installations to SAP."); Chin Decl. Ex. B (Agassi Depo.) 310:17-311:23, 314:5-318:3 (convert 50% or better). Brandt explicitly connected SAP's 50% conversion goal to its position in any hypothetical-license negotiation: one of the reasons that a license would be valuable to SAP was that it would "enable SAP to try to convert the approximately 50 percent of the PeopleSoft and J.D. Edwards installations that it was seeking to convert." Brandt. 693:9-14. Oracle had roughly 10,000 PeopleSoft customers at the time. Phillips 518:1-11. Hence a 50% conversion figure meant 5,000 customers converted from Oracle to SAP.

#### b. Whether The Jury's Assessment Of The Fair Market Value Of The Rights Infringed May Be Set Aside As Speculative.

There is also substantial ground for difference of opinion as to whether JMOL is permissible based on the Court's clarified holding that Oracle's evidence was insufficient "because it failed to provide evidence sufficient to allow the jury to assess fair market value without undue speculation." (Clarification Order at 2:21-22). "A district court can set aside a jury verdict and grant JMOL only if, under governing law, there can be but one reasonable conclusion as to the verdict and only if there is no legally sufficient basis for a reasonable jury to find for that party on that issue." *Jules Jordan Video, Inc. v. 144942 Canada Inc.*, 617 F.3d 1146, 1155 (9th Cir. 2010) (internal quotation marks and citations omitted).

Here, the Post-Trial Order held that no reasonable juror could reach this verdict because Oracle had not presented evidence of willingness to license or benchmark licenses. (Post-Trial Order at 14:19-15:4 ["[G]iven the lack of history of past licensing of the copyrighted material . . . and the lack of any evidence that Oracle would ever license the material to SAP or to anyone in the future, coupled with the absence of any benchmark evidence upon which to determine the value of a license, the court finds no support for awarding Oracle actual damages in the form of lost license fees. . . . The court finds that there was insufficient evidence for a reasonable jury to find that Oracle was entitled to a hypothetical license . . . ."]). But the Clarification Order makes clear that no such evidence is required. The Clarification Order thus eliminates the only expressed basis for holding that no reasonable juror could reach this verdict.

The question now is whether a reasonable juror could find that Oracle provided sufficient evidence of what a willing buyer would have paid and whether a reasonable juror could assess fair market value without undue speculation. As already discussed, there are substantial grounds for difference of opinion as to whether Oracle provided sufficient evidence on these points. Pp. 4-13 above. Certainly the evidence cited above provided grounds for the jury to reach the $1.3 billion verdict, which falls squarely in the range of the profits SAP would have expected and those Oracle would have expected to forego if they agreed on a license, and is below the amount calculated by Oracle's expert based on the approved willing buyer/willing seller methodology. P. 11 above.

The only apparent basis for the Court's JMOL is an implicit determination that Oracle's hypothetical-license evidence required impermissible speculation by the jury. There are substantial grounds for difference of opinion as to whether Oracle's evidence required undue speculation. That an inference is "'supported by a chain of logic' . . . . is all that is required to distinguish reasonable inference from speculation." *United States v. Begay*, ___ F.3d ____, 2011 WL 94566, at *5 (9th Cir. Jan. 12, 2011), *petition for cert. filed* May 27, 2011. "Only when there is a complete absence of probative facts to support the conclusion reached" is a verdict speculative. *Lavender v. Kurn*, 327 U.S. 645, 653 (1946) (reinstating jury verdict; appellate court erred in overturning verdict based on speculativeness).

These principles apply with even more force to damage determinations. Although "finding the fair market value of a reasonable license fee may involve some uncertainty," that uncertainty does not preclude such damages. *On Davis*, 246 F.3d at 166. "Many of the accepted methods of calculating copyright damages require the court to make uncertain estimates in the realm of contrary to fact." *Id.* at 166-67; *see also Polar Bear Prods., Inc.*, 384 F.3d at 709 ("Timex used Polar Bear's copyrighted footage without authorization. Having taken the copyrighted material, Timex is in no better position to haggle over the license fee than an ordinary thief and must accept the jury's valuation unless it exceeds the range of the reasonable market value."); *Silver Sage Partners, Ltd. v. City of Desert Hot Springs*, 251 F.3d 814, 820-21 & n.6 (9th Cir. 2001) (reversing grant of new trial based on speculativeness of damages: where the defendant's own wrong has made it difficult to determine the damages, "it will be enough if the evidence show[s] the extent of the damages as a matter of just and reasonable inference, although the result be only approximate.") (quoting *Story Parchment Co. v. Paterson Parchment Paper Co.*, 282 U.S. 555, 563 (1931)); *Univ. Computing Co.*, 504 F.2d at 544-45 (affirming jury valuation of hypothetical license in trade secret case: "Courts should be reluctant to penalize an aggrieved plaintiff by too unrealistic and sterile a requirement of proving that the defendant would have agreed to the price the plaintiff thinks is fair. . . . The proper method of fleshing out the dimensions of this hypothetical sale is by cross-examination and rebuttal testimony.").

Here, the $1.3 billion verdict is "supported by a chain of logic" and there is no colorable argument that there is a "complete absence of probative facts" supporting the verdict. *First*, actual damages include the license fee on which a willing buyer and willing seller would have agreed at the start of the infringement. *Jarvis*, 486 F.3d at 533. *Second*, in December 2004 and January 2005 SAP's internal business cases projected that SAP would induce 3,000 or more customers to convert to SAP maintenance and 2,000 or more customers to convert to SAP software. Pp. 11-12 above. The jury was not bound to accept SAP's argument that these were pie-in-the-sky hopes, and could find that they were SAP's considered business projections. It could base this finding on the following facts, among others: two SAP executive board members (Agassi and Brandt) called them "projections;" they were produced after "extensive" guidance from SAP's CEO and the Executive Board members heading the very business units that would be tasked with producing those results; they were repeated in numerous internal SAP business presentations; SAP's internal integration meeting with TomorrowNow considered just two "scenarios" – 2,000 and 4,000 conversions; and Agassi admitted he thought SAP would do "even better" than these projections. Pp. 11-12 above. That SAP itself expressed the contemporaneous belief that it would obtain 2,000 conversions and 3,000 maintenance switches certainly gives rise to ***a*** reasonable inference of hypothetical-license damages. *Third*, 2,000 conversions and 3,000 maintenance switches, combined with SAP's historical revenue per customer, profit margin and discount rate, led to a range of profits in which $1.3 billion fell in the middle. Pp. 10-12 above. *Fourth*, the jury could reasonably infer that SAP would have been willing to pay $1.3 billion for a license to obtain business worth considerably more than $1.3 billion to it, pp. 10-12 above, especially where it received still further value from disrupting its major competitor. Brandt 693:3-694:10; Zepecki 610:12-611:2 ; Chin Decl. Exs. B (Agassi Depo 314:5-318:3), N (PTX 7), U (PTX 24), Y (PTX 141).

Particularly where the only expressed basis for holding that no reasonable juror could reach this verdict has been eliminated by the Clarification Order, and in view of the reasonable uncertainty allowed in damage calculations, there is at least a substantial ground for difference of opinion as to whether Oracle's hypothetical-license evidence is "supported by a chain of logic," *Begay*, ___ F.3d ____, 2011 WL 94566, at *5, or there is a "complete absence of probative facts to support the conclusion reached." *Lavender*, 327 U.S. at 653.

### c. Whether The Jury's Verdict, Falling Within The Reasonable Range Of Hypothetical-License Damages Established By The Evidence, May Be Set Aside As Excessive.

There is also substantial ground for difference of opinion as to whether the Court may set aside the verdict where the record contains such contemporaneous, concrete evidence as described above and the jury's damage award falls within the range set by competent expert opinion.

*First*, when the jury's damage award is within the fair range of the evidence, the Ninth Circuit has held that a court abuses its discretion in granting a new trial based merely upon the size of the verdict. For example, in *Silver Sage Partners, Ltd. v. City of Desert Hot Springs*, 251 F.3d 814, 818 (9th Cir. 2001), the district court found the jury's verdict was "grossly excessive" and granted new trial upon plaintiff's rejection of remittitur. On appeal after the second trial, the Ninth Circuit reversed the grant of new trial and reinstated the original verdict. "[A] district court may not grant a new trial simply because it would have arrived at a different verdict. Thus if the jury's verdict is not against the clear weight of the evidence, we may find that a district court abused its discretion in granting a new trial." *Id.* at 819 (internal citations omitted). "The jury award was not outside the range of evidence presented and a new trial should not have been granted." *Id.* at 825 (quoting *United States v. 4.0 Acres of Land*, 175 F.3d 1133, 1143 (9th Cir. 1999)).

Similarly, in *4.0 Acres of Land*, 175 F.3d 1138, the district court found that the jury's verdict was "against the weight of the evidence" as "outside the range of the testimony in evidence." On appeal after the second trial, the Ninth Circuit reversed the grant of new trial and reinstated the original verdict. The Ninth Circuit explained that "a district court may not grant or deny a new trial merely because it would have arrived at a different verdict. Thus, we may find that a district court abused its discretion in ordering a new trial if the jury's verdict is not against the clear weight of the evidence." *Id.* at 1139 (internal citation omitted). As in *Silver Sage*

*Partners*, the Circuit held that the "award was not outside the range of evidence presented and a new trial should not have been granted." *Id.* at 1143. *Compare Jarvis*, 486 F.3d at 535 (upholding damages figure adopted by the district court as "near the center of the range supported by the evidence"); *Fresenius Med. Care Holdings, Inc. v. Baxter Int'l, Inc.*, No. 9692008, 2008 WL 928539, at *3 (N.D. Cal. April 4, 2008) (denying motion for new trial; "a jury's choice simply must be within the range encompassed by the record as a whole" (internal citation omitted)).

Here, unless Oracle's evidence was insufficiently objective or overly speculative, the jury's verdict fell well within the range of the evidence. The jury instructions correctly authorized the jury to award hypothetical-license damages. Court 2215:22-2217:19. Oracle's expert Meyer opined that a license would have been worth $880 million to $2.7 billion to SAP, depending primarily on the number of customers that SAP expected to switch to SAP maintenance and the number it expected to convert to SAP software. Meyer 938:17-939:3, 1015:7-1016:12; pp. 9-12 above. Since the verdict was at the lower end of that range, there is at least substantial ground for difference of opinion whether the Court nevertheless had authority to grant a new trial. *Silver Sage*, 251 F.3d at 825; *4.0 Acres of Land*, 175 F.3d at 1143.

*Second*, there is reasonable ground for difference of opinion as to the validity of the Court's basis for concluding that the verdict was against the weight of the evidence. The court found that the verdict was "grossly excessive" compared to Oracle's actual loss of customers as a result of SAP's infringement. (Post-Trial Order at 17:8-18, 20:12). But Oracle was not required to prove that it actually lost customers as a result of the infringement, nor was it limited to damages measured by such a loss of customers. The market value of a hypothetical license is a permissible measure of damages because the copyright owner was deprived of that value when the defendant infringed. *E.g., On Davis*, 246 F.3d at 165-66; *see also Jarvis*, 486 F.3d at 533-35. This market value is based not on lost sales but rather on the parties' reasonable contemporaneous expectations about profits and loss from the infringement and contemporaneous evidence of value – the very sort of evidence that Oracle introduced here. *See* pp. 9-12 above. There is substantial ground for difference of opinion as to whether a new trial can be justified by ruling that the verdict exceeds the value of actual customers lost when that verdict is well supported by ample objective evidence of the parties' contemporaneous expectations.

* * * * *

Only the Ninth Circuit review can provide the "explicit[ ]" authority the Court itself found lacking in its Post-Trial Order. (*Id.* at 12:1). As in other cases, the lack of clarity in the law governing the Court's ruling justifies certification here. *See Via Techs.*, 2011 WL 2437425, at *2; *see also Lakeland Village Homeowners Ass'n v. Great Am. Ins. Group*, 727 F. Supp. 2d 887, 896-97 (E.D. Cal. 2010) ("[C]ourts have held [a substantial ground for difference of opinion] satisfied when there is a lack of binding authority on an issue."); *In re Dynamic Random Access Memory (DRAM) Antitrust Litig.*, No. M 02-1486 PJH, 2008 WL 863994, at *1 (N.D. Cal. Mar. 28, 2008) ("The court finds that this case meets all three criteria stated above for the reasons advanced by plaintiffs and those acknowledged by the court in the orders plaintiff seeks to appeal."); CHRISTOPHER A. GOELZ AND MEREDITH J. WATTS, THE RUTTER GROUP PRACTICE GUIDE: FEDERAL NINTH CIRCUIT CIVIL APPELLATE PRACTICE § 2:160.14 (2011) ("[A]lthough the Ninth Circuit does not necessarily limit review under § 1292(b) to matters of first impression, presenting such an issue ensures serious consideration of your petition.").

### 3. Certification Would Materially Advance The Termination Of The Litigation

"The third requirement – that the appeal be likely to materially speed the termination of the litigation – is linked to the question whether an issue of law is 'controlling,' in that the district court should consider the effect of a reversal on the management of the case. If, on the other hand, an interlocutory appeal would delay resolution of the litigation, it should not be certified." *Via Techs.*, 2011 WL 2437425, at *1 (internal citations omitted). Certification is appropriate "only in exceptional situations in which allowing an interlocutory appeal would avoid protracted and expensive litigation." *In re Cement Antitrust Litig.*, 673 F.2d at 1026.

This requirement is amply met here. *First*, reversal of the Court's decision and reinstatement of the verdict would avoid the "needless expense and delay" of re-trying the case.

*Kuehner*, 84 F.3d at 319. A retrial would be especially wasteful and inefficient if undertaken only to result in an appeal of the controlling legal rulings contained in the Post-Trial Order (in addition to any new appellate issues that arise during a second trial) and an ultimate reversal of those rulings.

*Second*, even if the Ninth Circuit affirms this Court's order of a new trial, resolution of this litigation will be materially advanced if the Ninth Circuit clarifies now that the Court took an overly restrictive view of what evidence is sufficient to establish the objective fair market value of a hypothetical license. Absent certification, any appeal must wait until after the new trial is held and a new judgment is entered. Only on that post-second-trial appeal would the Ninth Circuit finally be able to review the sufficiency of Oracle's hypothetical-license evidence admitted in the first trial and the propriety of the JMOL and grant of a new trial. If the Ninth Circuit holds that Oracle's first-trial evidence was legally sufficient but affirms the discretionary grant of a new trial, the parties and the Court will have to endure a *third* trial. (The first verdict will remain vacated by the new-trial grant and the second verdict will be erroneously limited to lost/infringer's profits, necessitating the third trial.) A wasteful and unnecessary third trial is avoidable by certification for interlocutory review now.

Thus, a certain second trial will be deferred, perhaps avoided and, if required, conducted pursuant to clear appellate guidance. Certification thus will facilitate the efficient and speedier resolution of this litigation. *See Yoshimoto v. O'Reilly Auto., Inc*., No. C 10–05438 LB, 2011 WL 2669604, at * 4 (N.D. Cal. July 7, 2011) (certification would materially advance termination where reversal may make a trial unnecessary).

## III. CONCLUSION

The Court should certify its Post-Trial Order, even as clarified in the Clarification Order, for interlocutory appeal.

DATED: September 23, 2011

Bingham McCutchen LLP

By: /s/ Geoffrey M. Howard
Geoffrey M. Howard
Attorneys for Plaintiffs Oracle USA, Inc., *et al.*