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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)

**DEFENDANTS' MOTIONS *IN LIMINE***

Date: May 24, 2012
Time: 2:30 p.m.
Place: 3rd Floor, Courtroom 3
Judge: Hon. Phyllis J. Hamilton

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Defendants move *in limine* to exclude evidence and argument related to Oracle's new and untimely damages claims in excess of and materially different from those Oracle disclosed during the discovery period, presented at the first trial, and on which Defendants and this Court have relied throughout this case. Defendants also ask this Court to exclude evidence and argument solely related to damages theories no longer in the case, related to the TomorrowNow criminal conviction, or that characterize acts of civil copyright infringement as "theft" or "stealing."

## I. MOTION IN LIMINE NO. 1 TO EXCLUDE EVIDENCE AND ARGUMENT REGARDING NEW LOST PROFITS AND INFRINGER'S PROFITS CLAIMS

This Court's orders limit the issues for the new trial to Oracle's remaining lost profits and infringer's profits claims. From the time of its damages expert Paul Meyer's deposition in May 2010, through the first trial and the Court's post-trial rulings (including the Court's remittitur calculation), Oracle consistently has maintained that its lost and infringer's profits claims for copyright damages total a combined maximum of $408.7 million. Now, Oracle wants to change that claim and the methodology used to calculate it. In the past ten days, including the night before the pretrial filings deadline, Oracle:

- Filed three motions seeking to revive damages claims that this Court struck;[1]
- Served a new expert report from Meyer, which increases his infringer's profits calculation by adopting a new and previously undisclosed projection methodology and a new approach to deductible expenses;
- Provided yet another, even larger infringer's profits claim based on a legal argument about the effect of willful infringement on infringer's profits claims (which argument is also wrong as a matter of law); and
- Reneged on its own agreement to limit discovery and revenue calculations for infringer's profits to the "List of 86" customers on which both experts based their damages calculations.

As a result, at the time of this filing, no one but Oracle knows what damages claim will be

[1] Defendants will separately oppose Oracle's three motions for reconsideration or "clarification" by May 1, 2012, as ordered by the Court. ECF No. 1126 (4/18/12 Order). This motion *in limine* focuses on Oracle's changes to its profits claims.

presented at trial. This cannot stand. Oracle's eleventh-hour attempt to reinvent and expand its damages claim runs afoul of the Federal Rules, this Court's own orders, and equity.

The Court allowed Oracle a new trial, not a free pass from all disclosure obligations and the binding effect of Oracle's previous positions. These new claims should be struck—they are untimely, not substantially justified, and not harmless. And equity prohibits Oracle from unfairly advancing such inconsistent positions at Defendants' expense. Oracle should be held to the claims that this Court permitted Oracle to retry, *i.e.*, the lost and infringer's profits claims that Oracle offered, albeit so unenthusiastically, at the November 2010 trial.

### A. <u>Material Facts.</u>

***Oracle's Infringer's Profits Claim During Discovery: Up to $288 Million.*** Fact discovery closed on December 4, 2009. ECF No. 325 (6/11/09 Order) at 2. On March 30, 2010, Oracle served its Fourth Supplemental and Amended Initial Disclosures, which purported to meet Oracle's obligation to disclose its damages calculations by referring to expert Meyer's report for "a detailed quantification of the damages it will seek at trial, including the methodologies and extensive evidentiary record and other support for the stated amounts." Declaration of Tharan Gregory Lanier ("Lanier Decl.") ¶ 11, Ex. 11 at 49. Oracle also stated that its lost and infringer's profits analyses for the infringement claims would be provided in the report. *Id.* ¶ 7, Ex. 7 at 52.

At his May 2010 deposition, Meyer testified that he calculated relevant lost profits at $36 million or $120.7 million. *Id.* ¶¶ 1, 4, 6, Ex. 1 (5/12/10 Meyer Tr.) at 64:8-12, 73:5-10, 73:16-74:12; Ex. 4 (Meyer Depo. Ex. 2017); 6 (Meyer Depo. Ex. 2024). He explained that $36 million represented Oracle's lost profits through October 31, 2008 (when TomorrowNow permanently ceased operations), while $120.7 million represented Oracle's lost profits projected through 2015. *Id.* ¶¶ 1, 6, Ex. 1 (5/12/10 Meyer Tr.) at 73:16-74:12; Ex. 6 (Meyer Depo. Ex. 2024). Meyer also testified that he calculated infringer's profits at $288 million, explaining that he computed $577 million in SAP revenues allegedly attributable to infringement through 2008 (based on SAP's 2002-2008 gross receipts for a "List of 86" customers) to which he applied the same 50 percent profit margin that Defendants' expert Stephen Clarke used. *Id.* ¶¶ 1-7, Ex. 1 (5/12/10 Meyer Tr.) at 105:14-20, 100:6-12, 149:8-14, 150:13-16; Ex. 2 (5/13/10 Meyer Tr.) at 344:4-345:24; Ex. 3

(5/14/10 Meyer Tr.) at 688:5-13, 793:12-794:5; Ex. 4 (Meyer Depo. Ex. 2017) (showing Meyer's infringer's profits calculations as of May 2010); Ex. 5 (Meyer Depo. Ex. 2020) at n.10 (stating calculation applied "[a]verage profit margin from Mr. Clarke's Appendix M-9"); Ex. 7 (2/23/10 Meyer Report) ¶ 445. His infringer's profits claim did not include projected profits beyond 2008.

The "List of 86" customers for which Meyer calculated infringer's profits was developed jointly by the parties as part of an extensive, Court-monitored process to identify SAP customers who might be relevant to the litigation—*i.e.*, "those customers who purchased TomorrowNow service and SAP products/support simultaneously or were existing TomorrowNow customers at the time they purchased new SAP software or service." *Id.* ¶¶ 8-9, Ex. 8 (6/25/09 Email from J. McDonell to H. House); Ex. 9 (6/26/09 Email from A. Donnelly to J. McDonell) (Oracle agreeing to processes for identifying customers for list and confirming that Oracle would not seek SAP customer discovery beyond listed customers). Oracle agreed to this defined group of SAP customers for the purposes of discovery and damages calculations, both in the above-cited communications with Defendants and through Meyer's adoption of the list.

***Oracle's Infringer's Profits Claim at Final Disclosures: Up to $288 Million.*** Expert discovery closed on June 18, 2010. ECF No. 586 (12/22/09 Order) at 2. Final pretrial disclosures were due August 5, 2010. ECF No. 325 (6/11/09 Order) at 1. Oracle's final pretrial disclosures repeated the same lost and infringer's profits claims Meyer articulated at deposition; specifically, Oracle stated that it would seek "SAP's infringer's profits, which Oracle's damages expert has estimated as being up to $288 million." ECF No. 745 (Joint Pretrial Conf. Statement) at 9.

***Oracle's Infringer's Profits Claim at Trial: Up to $288 Million.*** At the November 2010 trial, Meyer affirmed the lost and infringer's profits computations he offered at deposition. Lanier Decl. ¶ 18, Ex. 18 (11/9/10 Trial Tr.) at 1021:16-1022:15, 1053:25-1056:5, 1057:5-9, 1064:13-1065:16; Ex. 18 (11/12/10 Trial Tr.) at 1307:11-25, 1309:19-1310:06, 1310:18-1311:7 (Meyer testifying that he "stand[s] by" his deposition testimony that "[i]t is my position that the $288 million is a calculation of benefits that SAP received from the alleged infringement"), 1315:12-15; Ex. 18 (11/18/10 Trial Tr.) at 1821:1-1822:2; *cf. id.* ¶ 18, Ex. 18 (11/16/10 Trial Tr.) at 1632:1-3. Meyer also confirmed that although his infringer's profits calculation "ranges down" to $236 million (by excluding profits from customers Amgen, BASF, and Lexmark), $288 million "was [his] upper bound" for infringer's profits. *Id.* ¶ 18, Ex. 18 (11/12/10 Trial Tr.) at 1315:12-15. Based on these figures, Meyer testified that his combined lost profits and infringer's profits calculation "ranges from . . . a low of" approximately $272 million "to a high of" approximately $408 million. *Id.* ¶ 18, Ex. 18 (11/9/10 Trial Tr.) at 1058:1-6.

Having adopted Meyer's calculations, throughout the litigation, Oracle also took the position that, for its copyright infringement claim, it would seek lost and infringer's profits of no more than $120.7 million and $288 million, respectively. During closing arguments, Oracle's counsel stated that "Mr. Meyer came up with an estimate of $288 million for infringer's profits" and displayed a demonstrative to the jury that quantified Oracle's lost profits at $120.7 million and infringer's profits at $288 million. *Id.* ¶¶ 13, 18, Ex. 18 (11/22/10 Trial Tr.) at 2094:9-10, 2094:12-13; Ex. 13 (Oracle Closing 287). And in response to the jury's request for "a breakdown or chart of how Mr. Meyer and Mr. Clarke calculated" damages, *id.* ¶ 18, Ex. 18 (11/22/10 Trial Tr.) at 2224:6-8, Oracle agreed to submit JTX 6, *id.* ¶ 18, Ex. 18 (11/23/10 Trial Tr.) at 2258:9-2259:11, which again reflected Meyer's "[p]rimary damages calculations" of $120.7 million in lost profits and up to either $236 million or $288 million in infringer's profits (depending on whether Meyer included Amgen, BASF, and Lexmark in his analysis). *Id.* ¶ 15, Ex. 15 (JTX 6).

On September 1, 2011, the Court granted Defendants' motion for judgment as a matter of law ("JMOL") and for a new trial on "actual damages in the form of lost profits/infringer's profits only," "conditioned on Oracle's rejection of a remittitur to $272 million." ECF No. 1081 (9/1/11 Order) at 20. This calculation assumed Oracle's $236 million calculation of infringer's profits. *Id.* Oracle rejected the remittitur on February 6, 2012. ECF No. 1107. On February 28, 2012, the Court set the new trial to begin on June 18, 2012, roughly four months after the scheduling order and nearly 19 months after first trial concluded. ECF No. 1110 (2/28/12 Order) at 2.

***Oracle's New Infringer's Profits Claims: $343 Million or $615 Million or $656 Million.*** Less than a week ago, on April 20, 2012, Oracle served an additional Meyer report that materially changes his infringer's profits calculation. Meyer offers a new infringer's profits computation that adds $107 million based on a purported analysis of ongoing support revenue that SAP earned from its sales to the "List of 86" customers through 2012, less a 25% expense deduction that he claims derives from SAP's reports. Meyer's computation of post-2008 sales is founded on a never-before-disclosed method for projecting such sales, based on pre-2008 sales. Meyer also confirms the reduction of his original claim of $288 million in infringer's profits to the $236 million amount referenced in the first trial—the result of his decision to exclude customers Amgen, BASF, and Lexmark. Thus, the net change from Meyer's original infringer's profits claim is an increase of $55 million, from $288 million to $343 million.

During the parties' pretrial exchanges this week, Oracle also revealed that it intends to pursue another previously undisclosed theory of damages at the new trial. Specifically, Oracle now alleges that it will seek $615 million for its infringer's profits claim, apparently based on a new theory advanced in Oracle's proposed jury instructions that, as alleged willful infringers, Defendants may not deduct expenses from gross revenues attributable to the infringement as part of an infringer's profits analysis. Joint Pretrial Conf. Statement (filed concurrently) §§ I.B, III; Lanier Decl. ¶¶ 16-17, Ex. 23 (Pls.' Prop. Jury Instr. Re: "Copyright Damages—Infringer's Profits"); Ex. 17 (Pls.' Prop. Jury Instr. Re: "Copyright Damages—Willful Infringement").

The night before these filings were due, Oracle changed positions again. The evening of April 25, Oracle's counsel disclosed that Oracle intends to add yet another claim, this time for infringer's profits of TomorrowNow (which lost $90 million over its life). This new claim was not presented at the first trial or in any of the filings leading up to it, and was not disclosed during the parties' preparation for the new trial before April 25. This is because Oracle abandoned any such claim. Two years ago, Meyer testified at deposition that TomorrowNow "does not have any profits to disgorge." *Id.* ¶ 18, Ex. 18 (5/12/12 Meyer Tr.) at 72:1-4; ¶ 4, Ex. 4 (Meyer Depo. Ex. 2017). Although Meyer had calculated TomorrowNow's revenues, neither he nor Oracle ever presented them as a damages claim, until last night.

### B. <u>Rules 26 and 37 and This Court's Scheduling Orders Require Excluding Oracle's Untimely Damages Claims, Including the New Meyer Report.</u>

#### 1. Legal Standards.

Under the Federal Rules and this Court's orders, any new damages computation, expert report, or opinion was required to have been disclosed during the discovery period. Rule 26(a) requires a computation of each category of damages claimed and production of the documents on which the computation is based. Fed. R. Civ. P. 26(a)(1)(A)(iii). If a party becomes aware that a disclosure is incomplete, it must supplement "in a timely manner" or "as ordered by the Court." Fed. R. Civ. P. 26(e)(1). Expert reports, which are due "at the times and in the sequence that the court orders," Fed. R. Civ. P. 26(a)(2)(D), must "contain a complete statement of all opinions the witness will express and the basis and reasons for them," and the "data or other information considered by the witness in forming the opinions." Fed. R. Civ. P. 26(a)(2)(B).

Rule 37 forbids use of information or opinion not timely disclosed as Rule 26 requires, unless the failure to disclose is substantially justified or harmless. Fed. R. Civ. P. 37(c)(1). Rule 37 sanctions are "self-executing" and "automatic," designed to "provide a strong inducement for disclosure of material." *Yeti by Molly, Ltd. v. Deckers Outdoor Corp.*, 259 F.3d 1101, 1106-07 (9th Cir. 2001) (quoting Fed. R. Civ. P. 37 advisory committee's note (1993)) (holding that failure to disclose expert report was not harmless where "Plaintiffs received [the] report one month before they were to litigate a complex case"); *Luke v. Family Care & Urgent Med. Clinics*, 323 Fed. App'x 496, 499-500 (9th Cir. 2009). The non-moving party has the burden to show that it meets one of the two exceptions to mandatory sanctions. *Yeti by Molly*, 259 F.3d at 1107.

**2. All of Oracle's New Disclosures Are Untimely.**

Every one of Oracle's latest damages calculations—whether in the form of expert opinion or attorney argument—is untimely, by more than two years. The Court set December 4, 2009 as the "Deadline to Supplement and/or Correct All Disclosures." ECF No. 325 (6/11/09 Order) at 2. Further, the Court-ordered "Deadline to Serve Expert Reports" was November 16, 2009. *Id.* At the very latest, Oracle should have disclosed Meyer's full opinions by the date of his May 2010 deposition.[2] Nothing in the Court's subsequent orders, including the Court's latest scheduling

[2] Although the Court's December 22, 2009 Order set March 29, 2010 as the deadline to submit rebuttal reports, *see* ECF No. 586, the parties understood that Meyer would provide his rebuttal opinions to Clarke's report at Meyer's deposition. *See, e.g.*, Lanier Decl. ¶¶ 10, 18, Ex. 10 (1/19/10 Email from H. House to J. McDonell); Ex. 18 (5/14/10 Meyer Tr.) at 675:16-9 (describing Exhibit 2020 as "a subsequent analysis I've done since receiving the rebuttal report of Mr. Clarke, and . . . it is my current opinion about infringer's profits").

order, relieves Oracle from the effect of these deadlines. ECF No. 1110 (2/28/12 Order). Indeed, Defendants have been preparing their pretrial filings, including their witness list, exhibit list, and discovery designations in reliance on the disclosures Oracle made during the discovery period.

At no time before the first trial did Meyer revise his report to provide lost and infringer's profits figures different from the $408.7 million combined claim he offered at deposition; nor did Oracle supplement its disclosures to offer alternative computations of these claims. Any attempt now by Oracle or Meyer to offer new lost and infringer's profits claims, including to increase the amount claimed beyond $408.7 million, is untimely. Oracle is bound by its disclosures, and the new trial should be limited to only those lost and infringer's profits claims that Oracle timely and properly disclosed before the first trial.

**3. Oracle's Belated Disclosures Are Neither Substantially Justified Nor Harmless.**

Oracle cannot justify offering never-before-disclosed infringer's profits calculations on the eve of the new trial, long after discovery has closed. Oracle had ample opportunity to obtain discovery and offer lost profits and infringer's profits calculations within the time limits set by the rules and the Court's orders, and it did. At Meyer's deposition and the first trial, Oracle chose to disclose and present lost profits and infringer's profits claims totaling $408.7 million. Oracle purposely compared its claim for billions in hypothetical license damages to its claim for $408.7 million in lost and infringer's profits damages to persuade the jury that awarding hypothetical license damages was the only way to adequately compensate Oracle for infringement. Lanier Decl. ¶ 18, Ex. 18 (11/9/10 Trial Tr.) at 1017:21-1020:22 (Meyer explaining why awarding license damages allegedly is superior to awarding lost profits and noting, "[a]s I mentioned, one, there's no way that the lost profits and the . . . infringer's profits, measures the full market value of the copyrighted works"), 1021:12-1022:24 (Meyer testifying that $408.7 million in lost and infringer's profits does not "fully compensate Oracle in this case" and that "[t]he only way to do it is the fair market value of the license approach at the 1.5 billion").

Now that the case is limited to lost and infringer's profits, Oracle has obvious tactical reasons for seeking to increase the amount of its remaining claims. But having fully embraced one approach to these claims in the first trial, Oracle "cannot now be heard to argue that [it] should be insulated from the consequences of [its own] choice." *United States v. 14.3 Acres of Land*, No. 07cv886-AJB (NLS), 2011 WL 2414348, at *5 (S.D. Cal. June 10, 2011) (granting motion to exclude untimely disclosed alternate theory of damages in new expert report).

Oracle cannot show that its untimely disclosure of new infringer's profits calculations and associated expert opinion is harmless. These new opinions and damages calculations are based on data obtained during the discovery period, and Oracle or Meyer could have timely made these changes according to the rules and this Court's schedule for expert disclosures. They did not. The only conceivable purpose for Oracle's delay in providing Meyer's "supplemental" report and other calculations is to blindside Defendants by adding millions of dollars to Oracle's damages claim on the cusp of the new trial, prejudice Defendants' trial preparation, and contravene the Court's orders. If Oracle is allowed to offer its new, untimely claims and expert opinion, it will have achieved its desired result.

Oracle tried unsuccessfully to change its damages claims mid-stream in this case before. ECF No. 482 (9/17/09 Order) at 26 (holding that Oracle's failure to disclose damages theories was not harmless, since "Defendants' expert would not be able to conduct the required analysis within the time limits set by Judge Hamilton" and as "expanding the damages case significantly as Plaintiffs belatedly attempt to do would severely prejudice the Court's ability to manage this case to resolution in anything approaching a just, speedy, and inexpensive manner"). Just as before, because Oracle cannot carry its burden to show that offering new damages claims is substantially justified or harmless, Rule 37 prevents Oracle from offering such damages computations, expert opinions, and related arguments at the new trial.

#### 4. Oracle May Not Circumvent Rule 26's Disclosure Requirements by Mischaracterizing Its New Damages Claims as "Supplements."

Oracle may not present entirely these new opinions and damages calculations in the guise of a "supplement" under Rule 26(e)(2). Although Rule 26(e)(2) requires that parties supplement their expert opinions by "the time the party's pretrial disclosures under Rule 26(a)(3) are due," it does not authorize or condone the belated disclosure of entirely new opinions. Fed. R. Civ. P.

26(e)(2); *Luke,* 323 Fed. App'x at 499-500 (affirming exclusion of so-called "supplemental" expert opinion offered after disclosure deadlines that "presented a new theory as to a key element of Plaintiffs' medical negligence claim"); *Lindner v. Meadow Gold Dairies, Inc.*, 249 F.R.D. 625, 639 (D. Haw. 2008) ("Although Fed. R. Civ. P. 26(e) requires a party to 'supplement or correct' disclosure upon information later acquired, that provision does not give license to sandbag one's opponent with claims and issues which should have been included in the expert witness' report.") (citation omitted). Rather, permitting parties to submit new expert opinions under the label of a "supplement" "would surely circumvent the full disclosure requirement implicit in Rule 26" and "interfere with the Court's ability to set case management deadlines . . . ." *Lindner*, 249 F.R.D. at 639 (quoting *Beller v. United States,* 221 F.R.D. 689, 695 (D.N.M. 2003)); *DAG Enters., Inc. v. Exxon Mobil Corp.*, 226 F.R.D. 95, 110 (D.D.C. 2005) ("Plaintiffs' obligation to supplement their expert reports does not give them the right to ignore the Court's deadlines, reopen discovery, find 'new facts,' generate new expert reports, and then claim different damages.").

The opinions that Meyer offers in his latest report are not mere "supplements," but rather qualitative changes to his opinion that should have been disclosed under the Court's schedule for expert disclosures. Before the April 20, 2012 Report, both Oracle and Meyer consistently limited their infringer's profits calculations to the 2002-2008 timeframe, just as the parties had agreed during discovery was proper. ECF No. 219 (11/18/08 Joint Disc. Conf. Statement) at 3 & Ex. A (reflecting parties' agreement to limit damages discovery through 2008); Lanier Decl. ¶ 7, Ex. 7 (2/23/10 Meyer Report) ¶ 445. But now, Meyer proposes to materially change his approach by computing damages beyond 2008 using an entirely new, previously undisclosed methodology for projecting post-2008 revenues using pre-2008 data—a methodology he could and should have disclosed prior to the November 2010 trial. Meyer also newly opines that the profit margin applicable to post-2008 revenues is 25%, not the 50% he previously asserted was appropriate.

These are new opinions. Oracle cannot avoid the consequences of belatedly disclosing them by simply calling them "supplemental."

### C. <u>Judicial Estoppel Requires Precluding New Damages Claims.</u>

"Judicial estoppel is an equitable doctrine that precludes a party from gaining an advantage by asserting one position, and then later seeking an advantage by taking a clearly inconsistent position." *Hamilton v. State Farm Fire & Cas. Co.*, 270 F.3d 778, 782 (9th Cir. 2001) (citations omitted); *see also New Hampshire v. Maine*, 532 U.S. 742, 749 (2001). By precluding a party from taking inconsistent positions, estoppel "protect[s] against a litigant playing fast and loose with the courts." *Hamilton*, 270 F.3d at 782. Courts consider three factors to determine whether estoppel bars a party from taking a new position. First, the party's position must be "clearly inconsistent with its earlier position." *New Hampshire*, 532 U.S. at 750 (citation omitted). Second, the party must have "persuad[ed] a court to accept [the] earlier position," such that accepting the new position would create "the perception that either the first or the second court was misled." *Id.* Third, courts consider whether the party "would derive an unfair advantage or impose an unfair detriment on the opposing party if not estopped." *Id.* at 757; *see also United Nat'l Ins. Co. v. Spectrum Worldwide, Inc.*, 555 F.3d 772, 779 (9th Cir. 2009).

Judicial estoppel forecloses Oracle's improper attempts to now change the core elements of its damages claim, whether through the new Meyer report or otherwise. *First*, Oracle's latest positions as to the scope of and methodology underlying its infringer's profits claim are "clearly inconsistent" with those it affirmatively and consistently presented during the discovery period and at the first trial. Nowhere is this inconsistency more stark than with respect to Oracle's new stance on deductible expenses. Until very recently, Oracle and its expert repeatedly advocated an infringer's profits claim that deducts expenses from gross revenues according to a 50 percent profit margin. Now, however, Oracle reverses course entirely by arguing for the first time that Defendants, as alleged willful infringers, may not deduct their expenses at all, or, alternatively, that any deduction should be limited to a 25 percent profit margin.

*Second*, this Court "accepted" Oracle's previous positions regarding its damages claims when the Court issued its September 1, 2011 Order granting a new trial and gave Oracle the option of accepting a remittitur of $272 million. *Hamilton*, 270 F.3d at 783 (finding that court "accepted" party's prior assertion, having relied on those assertions to discharge party's debts). By allowing a remittitur of $272 million, the Court accepted Meyer's lost and infringer's profits calculations, which were based on Oracle's adoption of a 50 percent profit margin deduction and damages timeframe of 2002-2008, and declined to adopt the lower damages figure offered by Defendants' expert. Although Oracle ultimately rejected the remittitur, the Court was fully prepared to enter final judgment based on Meyer's calculations.

*Third*, whether described as "an unfair advantage" to Oracle or an "unfair detriment" to Defendants, permitting Oracle to present its new damages claims at the new trial would result in just the kind of inequity that judicial estoppel is designed to prevent. Oracle would reap an unfair advantage (to Defendants' detriment) by being allowed to present methodologies and legal theories that Defendants never had an opportunity to test through discovery or to challenge through summary judgment. And allowing Oracle's new claims to proceed at this late date would severely prejudice Defendants' trial preparation, which to date has been based on the only damages claims Oracle timely disclosed. Equity requires that the Court preclude Oracle from offering any new lost and infringer's profits claims inconsistent with those it disclosed in compliance with the rules and this Court's orders and repeatedly presented at the first trial.

### D. <u>The Court Should Preclude Oracle from Reversing Its Approach to Deductible Expenses in an Attempt to Inflate the Infringer's Profits Claim.</u>

#### 1. Oracle May Not Reverse Its Approach on Deducting Expenses.

Oracle now has made clear that it seeks to double its infringer's profits claim by retracting Meyer's previous deduction of expenses according to a 50 percent profit margin and by arguing that, as alleged willful infringers, Defendants cannot deduct expenses from gross revenues in calculating infringer's profits. Specifically, Oracle proposes revising a previous jury instruction to inform the jury that "[i]f you find that Defendants' infringement was willful, then Defendants' profits are equal to all of Defendants' gross revenue that is associated with the stipulated infringement, and no deduction for Defendants' expenses is permitted." Lanier Decl. ¶¶ 16-17, Ex. 16 (Pls.' Prop. Jury Instr. Re: "Copyright Damages—Infringer's Profits"); Ex. 17 (Pls.' Prop. Jury Instr. Re: "Copyright Damages—Willful Infringement"). Although Oracle argued throughout the case that Defendants engaged in willful infringement, *see, e.g.*, ECF No. 182 (3rd Amend. Complaint) ¶ 121, it has never posited that Defendants cannot—as alleged willful infringers—deduct expenses in calculating infringer's profits. ECF No. 747 (Joint Prop. Jury

Instr.) at 80 (for infringer's profits instruction, not offering language regarding ability of willful infringers to deduct expenses). Instead, Oracle and its expert elected to repeatedly offer an infringer's profits calculation that deducts expenses from gross revenues according to the 50 percent margin computed by Clarke. Section III.C, *supra*.

As explained above, the Federal Rules, the Court's orders, and equity prevent Oracle from taking this new position. But even were it not too late for Oracle to change its position, Oracle is wrong on the law, and this new approach should be excluded on that basis as well.

**2. Willful Infringers Are Not Barred from Deducting All Expenses.**

There is no statutory basis for denying an accused willful infringer the opportunity to deduct expenses from revenues attributable to infringement in computing infringer's profits. The Copyright Act allows a copyright owner to recover only the infringer's "profits," not its gross revenues. 17 U.S.C. § 504(b) (stating that "[t]he copyright owner is entitled to recover . . . any profits of the infringer that are attributable to the infringement" and that "[i]n establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses . . . "). Nothing in the Act states that "profits of the infringer that are attributable to the infringement" is defined differently if the infringement is willful. *Id.*

Oracle presumably will rely on *dicta* in Ninth Circuit cases implying the possibility that a willful infringer might not be permitted to deduct certain overhead expenses from its revenues in an infringer's profits analysis. *See Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 515 (9th Cir. 1985); *Kamar Int'l, Inc. v. Russ Berrie & Co.*, 752 F.2d 1326, 1331 (9th Cir. 1984). But those cases do not hold that such deductions are disallowed, and the only published decision in this Circuit to have squarely addressed the issue held that a willful infringer is not prohibited from deducting its expenses to calculate infringer's profits. *See ZZ Top v. Chrysler Corp.*, 70 F. Supp. 2d 1167, 1168 (W.D. Wash. 1999).

In *Kamar*, the Ninth Circuit considered the plaintiff's argument that the defendant, an alleged willful infringer, should not be allowed to deduct "overhead" expenses in calculating infringer's profits. 752 F.2d at 1331. The plaintiff relied on language from a Second Circuit case, *Sheldon v. Metro-Goldwyn-Mayer Corp.*, 106 F.2d 45, 51 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940), to the effect that a "plagiarist may not charge for his labor." *Id.* at 51. Having determined that the defendant was not a willful infringer, however, it was unnecessary for the Ninth Circuit to decide whether willful infringers are precluded from deducting overhead expenses from gross revenues attributable to infringement. Nevertheless, the Ninth Circuit expressed disagreement with the plaintiff's interpretation of *Sheldon*, finding that the Second Circuit's decision "does . . . not disallow all overhead" expenses.[3] *Kamar*, 752 F.2d at 1331.

As in *Kamar*, the Ninth Circuit in *Frank Music* also did not hold that willful infringers may not deduct expenses in an infringer's profits calculation. 772 F.2d at 515. Instead, in affirming the district court's finding that the infringement was not willful, the Ninth Circuit never reached the issue of whether a willful infringer should be denied certain deductions. *See id.* Although the *Frank Music* court noted in *dicta* that overhead expenses "may be deducted from gross revenues to arrive at profits, at least where the infringement was not willful, conscious, or deliberate," this passing reference was not a holding of the case. *Id.* (citing *Kamar*, 752 F.2d at 1331). Further, the court's reliance on *Kamar* in support of this comment was misplaced in any event, as *Kamar* did not hold that a willful infringer cannot deduct expenses.

Although at least one court outside this Circuit has erroneously interpreted *Frank Music* as holding that willful infringers may not deduct overhead expenses, *see Saxon v. Blann*, 968 F.2d 676, 681 (8th Cir. 1992), the only court in the Ninth Circuit ever to squarely address whether a willful infringer is precluded from deducting certain expenses held that a willful infringer can deduct overhead in calculating profits. *ZZ Top*, 70 F. Supp. at 1168. There, the district court correctly observed that there is no statutory basis for denying a deduction of overhead costs as punishment to a willful infringer, since: (1) Section 504(b) of the Copyright Act allows plaintiffs

[3] An independent reading of *Sheldon* confirms that it did not hold that willful infringers are automatically precluded from deducting expenses in an infringer's profits analysis. *See* 106 F.2d at 51, 54 (commenting that "plagiarist may not charge for his labor" in apportionment analysis, not deductible expenses analysis, and separately holding that defendant who had willfully infringed could deduct overhead expenses as long as they "assisted in the production of the infringement product"); *cf. Hamil Am., Inc. v. GFI*, 193 F.3d 92, 107 (2d Cir. 1999), *cert. denied*, 528 U.S. 1160 (2000) (Second Circuit confirming, post-*Sheldon*, that accused infringers, whether willful or not, may deduct expenses).

to recover only profits, not gross revenues; (2) not permitting the defendant to deduct overhead expenses effectively would serve as an "affirmative punishment" of defendants; and (3) Congress specifically addressed punishment of willful infringers under Section 504(c) of the Act, dealing with statutory damages. *Id.* at 1168 (citing 17 U.S.C. §§ 504(b)-(c)). The court also noted that *Frank Music* and *Kamar* only left open the possibility that deducting overhead expenses may be precluded if the infringement is intentional, but did not hold and did "not mandate or even endorse such a preclusion." *Id.* at 1169. Based on this reasoning, the court concluded that willful infringers may deduct overhead expenses from infringer's profits under Section 504(b). *See id.*

No Ninth Circuit case holds that willfulness precludes deducting expenses. To permit Oracle and its expert to advance a previously undisclosed infringer's profits claim that no longer deducts expenses based on a 50 percent profit margin would double Meyer's infringer's profits calculation. This effectively would impose double damages as punishment for the alleged willful infringement—an effect that contravenes the plain language of Section 504(b). Because nothing in the Copyright Act suggests that willfulness has any bearing on a copyright claim for which statutory damages are not being sought, the Court should reject any argument or jury instruction offered by Oracle regarding willful infringement as irrelevant, misleading, and unfairly prejudicial. Fed. R. Evid. 402; Fed. R. Evid. 403.

Holding Oracle to the expense deductions that Defendants will prove at trial not only is required by law, but also is fair. Defendants' expert Clarke carefully approached calculating deductible expenses to ensure that he is deducting expenses related to the accused revenue. Specifically, Clarke performed a regression analysis to establish to a statistical certainty that the expenses he deducts are all related to the accused infringing revenues. In so doing, he completely eliminates any concerns that permitting a defendant to deduct overhead expenses could produce a windfall to the defendant, effectively permitting ill-gotten revenues to offset overhead expenses that the defendant would have incurred even without the infringing revenues. *See, e.g., Frank Music*, 772 F.2d at 515-16 (holding that defendant may deduct expenses that "actually contributed to the production" of the infringing work). Clarke's approach does not implicate that concern, as it measures only "variable" expenses incurred in producing the accused revenues.

### E. <u>The Court Should Preclude Oracle from Reneging on the Agreed Scope of Discovery—and Damages—to Inflate the Infringer's Profits Claim.</u>

Oracle also has suggested, in the new Meyer report and draft pretrial filings, that at the new trial, it may seek infringer's profits based on revenues for customers beyond the "List of 86." *See* Joint Pretrial Conf. Statement, filed concurrently, at "Disputed Facts" (proposing disputed fact as to SAP's sales to "other TN customers" beyond List of 86). This effort should be rejected.

The parties agreed that "customers who purchased TomorrowNow service and SAP products/support simultaneously or were existing TomorrowNow customers at the time they purchased new SAP software or service" comprise the universe of potentially relevant SAP customers; these customers constitute the "List of 86." Lanier Decl. ¶¶ 8-9, Ex. 8 (6/25/09 Email from J. McDonell to H. House); Ex. 9 (6/26/09 Email from A. Donnelly to J. McDonell) (agreeing to processes for identifying customers for list and confirming that Oracle would not seek SAP customer discovery beyond listed customers). The parties conducted discovery based on this agreement, and both experts relied on the List of 86 to calculate infringer's profits, which calculations they presented at the first trial. TomorrowNow has been out of business since October 2008, and discovery has been closed for two years. Oracle long ago waived its right to challenge the completeness of the List of 86 or to change its claims based on additional customers on which there has been no discovery.

A party waives its right to challenge the sufficiency of a discovery response when it fails to seek relief from the court in a timely matter. *Freeman v. Allstate Life Ins. Co.*, 253 F.3d 533, 537 (9th Cir. 2001) (affirming decision to admit evidence not produced in discovery when plaintiff failed to prosecute issue as required by local rules); *Butler v. Pettigrew*, 409 F.2d 1205, 1207 (7th Cir. 1969) (holding that plaintiffs waived right to challenge discovery responses' sufficiency by failing to file Rule 37 motion before trial). Given its knowledge of, involvement with, and acquiescence in the procedures used to develop the List of 86, including adopting the list to calculate its properly-disclosed infringer's profits claims, Oracle's failure to timely move to compel discovery in connection with the List of 86 bars Oracle from now challenging its sufficiency. Lanier Decl. ¶¶ 5, 18, Ex. 25 (5/12/10 Meyer Tr.) at 100:6-12, 149:8-14, 150:13-16;

Ex. 18 (5/14/10 Meyer Tr.) at 662:1-664:2, 676:6-23; Ex. 5 (Meyer Depo. Ex. 2020) at n.10 (reflecting Meyer's infringer's profits calculations for "List of 86 Customers"); Ex. 18 (11/9/10 Trial Tr.) at 1021:16-1022:15, 1065:22-25; Ex. 18 (11/12/10 Trial Tr.) at 1307:11-25.

Further, to support its new infringer's profits claim, Oracle may plan to misinform the jury, as it did at the first trial, that the "List of 86" was the work product of Defendants' counsel and fails to account for all infringer's profits. *Id.* ¶ 18, Ex. 18 (11/18/10 Trial Tr.) at 1853:5-8; Ex. 18 (11/22/2010 Trial Tr.) at 2027:19-2028:4 (arguing that "universe of customers that is, we all know, is incomplete"); *but see id.* ¶ 18, Ex. 18 (11/22/10 Trial Tr.) at 2030:10-11 (Court ordering Oracle's counsel not to refer to SAP counsel in connection with List of 86). Any suggestion that the List of 86 is the sole work product of Defendant's counsel or is incomplete should be excluded as misleading and unfairly prejudicial. Fed. R. Evid. 403. Such a misleading suggestion not only lacks probative value, but also would unfairly prejudice Defendants by allowing Oracle's lawyers to improperly suggest that foundational evidence, upon which both sides have relied throughout discovery, is not only incomplete, but a fabrication of Defendants' counsel. Preventing Oracle from offering irrelevant, misleading, and unfairly prejudicial evidence and argument disparaging the List of 86 is entirely consistent with the Court's ruling during the first trial that Oracle's counsel should not refer to SAP's counsel in connection with the development of the List of 86. *Id.* ¶ 18, Ex. 18 (11/22/10 Trial Tr.) at 2030:10-11.

## II. MOTION IN LIMINE NO. 2 TO EXCLUDE EVIDENCE PREVIOUSLY OFFERED SOLELY TO SUPPORT EXCLUDED DAMAGES THEORIES

This Court's order granting JMOL is clear: The second trial "will be limited to putting on evidence regarding lost profits" and infringer's profits. ECF No. 1081 (9/1/11 Order) at 10-15, 17-20. Evidence and argument as to the value of a hypothetical license (including as computed using acquisition costs, goodwill, and cross-sell and up-sell data) or any other excluded damages theories are now unquestionably irrelevant to damages, and therefore do not provide context or background related to the stipulated claims. This Court should preclude Oracle from introducing any evidence previously offered solely to support the hypothetical license theory or any other excluded theory of damages.

A few examples illustrate the point. At the first trial, Oracle introduced several categories of evidence for the express purpose of supporting its hypothetical license damages theory. These categories of evidence, or "license factors," included Defendants' so-called "risk acceptance," Defendants' purported "expected financial gains," and the alleged "risk to Oracle's investment." Lanier Decl. ¶¶ 12-14, Ex. 14 (Meyer Demo.) at 4, 16, 38; Ex. 12 (Oracle Opening) at 30.

Oracle then introduced evidence attempting to support these factors. To show alleged risk acceptance, Oracle offered evidence purporting to show that Defendants knew the consequences of acquiring TomorrowNow, *see, e.g.*, PTX 0008, willingly accepted the risk of liability, *see, e.g.*, PTX 0014, and intended to use TomorrowNow as a "liability shield," *see*, *e.g.*, PTX 0161. Oracle argued that "risk acceptance" evidence was relevant because it "relate[s] directly to Oracle's hypothetical license damages" and offered no other purpose for this evidence. ECF No. 976 (Pls.' Opp'n. to Defs.' Mot. to Exclude Evidence) at 3. Oracle also used the license claim to rationalize introducing Defendants' alleged projections of potential customers conversions, which Oracle argued was relevant to Defendants' expected financial gains when negotiating a license. Lanier Decl. ¶ 14, Ex. 14 (Meyer Demo.) at 24 (citing PTX 0012), 28 (citing PTX 0024), 29 (citing PTX 0161), 55 (citing PTX 0960), 56 (citing PTX 0958). And Oracle offered evidence of Oracle's R&D costs, claiming that this was relevant to investments risks Oracle would have considered in negotiating a license price. *Id.* ¶¶ 12, 18, Ex. 18 (11/2/10 Trial Tr.) at 339:20-340:4; Ex. 12 (Oracle Opening) at 12; Ex. 18 (11/22/10 Trial Tr.) at 2093:13-24. None of this evidence is context or background for the stipulated claims, as evidenced by the fact that Oracle offered it only in support of its hypothetical license claim.

Similarly, Oracle's counsel and witnesses mentioned the $11 billion PeopleSoft purchase price no less than 77 times at the previous trial. *See, e.g.*, Lanier Decl. ¶ 18, Ex. 18 (11/2/10 Trial Tr.) at 341:15, 341:23; Ex. 18 (11/4/10 Trial Tr.) at 522:20-22; Ex. 18 (11/8/10 Trial Tr.) at 846:17, 846:18, 846:21; Ex. 18 (11/22/10 Trial Tr.) at 2087:10. Repeating this large but totally irrelevant figure "cannot help but skew the damages horizon for the jury." *Cf. Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1320 (Fed. Cir. 2011). While the acquisition may be relevant, the only purpose of this repetition was to inflate the damages claim.

All of this evidence, and any other evidence Oracle offered solely to support calculating a license or other excluded damages claims, now is indisputably irrelevant to damages and should be excluded as such. Fed. R. Evid. 402. The risk of prejudice and misleading the jury by introducing irrelevant precluded claims evidence in the new trial also warrants its exclusion. Fed. R. Evid. 402; Fed. R. Evid. 403. As the Court observed, Oracle used its license theory to present "speculative" evidence and to "urg[e] the jury to disregard evidence of Oracle's actual customer losses resulting from infringement," resulting in a $1.3 billion verdict that was "contrary to the weight of the evidence." ECF No. 1081 (9/1/11 Order) at 17. The new trial is limited to "actual" damages, *id.*, and Oracle must focus its evidence and trial presentation accordingly.

## III. MOTION IN LIMINE NO. 3 TO EXCLUDE EVIDENCE AND ARGUMENT REGARDING TOMORROWNOW'S CRIMINAL CONVICTION

The Court should exclude any and all references, questions, statements, or proffers of evidence regarding TomorrowNow's criminal conviction, including the conviction itself, the Information, Plea Agreement, Judgment, and related hearing transcripts. Evidence of a criminal conviction that occurred years after the operative facts cannot provide context or background for this case, and is certainly not relevant to damages. Fed. R. Evid. 402. Even if relevant, any probative value is substantially outweighed by unfair prejudice and the likelihood of confusion under Rule 403. Further, any conviction-related documents are inadmissible hearsay under Rules 802 and 803 of the Federal Rules of Evidence.

### A. <u>Material Facts.</u>

TomorrowNow pled guilty to eleven counts of unauthorized access to a protected computer with intent to defraud and obtaining something of value and one count of criminal copyright infringement. The Plea Agreement acknowledges that TomorrowNow employees downloaded and copied certain Oracle software without authorization or in excess of the customers' licenses with Oracle. Neither SAP AG nor SAP America, Inc. were charged, pled guilty, or were convicted of any criminal wrongdoing in conjunction with the conviction.

### B. <u>Argument.</u>

***Relevance.*** TomorrowNow's actions that formed the basis of the criminal conviction include accessing Oracle-protected computers without authorization, obtaining Oracle software outside the scope of relevant licenses, and making unauthorized copies of Oracle software. Calculating lost and infringer's profits does not require any of these facts. Rather, as the Court noted, determining profits turns on the number of support customers that Oracle actually lost as the result of infringement and the amount SAP profited from TomorrowNow's infringement. ECF No. 1081 (9/1/11 Order) at 18. By its very nature, the conviction concerns only actions by TomorrowNow, not any damages resulting from those actions. Therefore, its criminal conviction does not make any fact of consequence more or less probable, and it is not relevant to the new trial. Fed. R. Evid. 402; *United States v. Curtain*, 489 F.3d 935, 943 (9th Cir. 2007).

***Unfair Prejudice and Confusion.*** Even if evidence and argument about the conviction were relevant to the new trial, the Court should exclude such evidence as unfairly prejudicial and confusing. Any conceivable probative value the conviction may have is substantially outweighed by the risk that mentioning the conviction could confuse the jury and lead it to issue a verdict on improper bases. Fed. R. Evid. 403; Fed. R. Evid. 403 advisory committee's note; *United States v. Skillman*, 922 F.2d 1370, 1374 (9th Cir. 1990) (finding that such evidence "appeals to the jury's sympathies, arouses its sense of horror, provokes its instinct to punish," or "may cause a jury to base its decision on something other than the established propositions in the case") (citing 1 J. Weinstein & M. Berger, Weinstein's Evidence ¶ 403[03] at 403-36-403-39 (1989 ed.)).

First, evidence and argument regarding the conviction likely would confuse the jury as to its proper role in the case, *i.e.*, to calculate money damages, not to exact punishment. Fed. R. Evid. 403; *see also United States v. Smith*, 196 F.3d 1034, 1037-38 (9th Cir. 1999); *United States v. Bush,* 58 F.3d 482, 488-89 (9th Cir. 1995). A party may not encourage a jury to blindly defer to a prior result or improperly punish. *Engquist v. Oregon Dep't of Agriculture*, 478 F.3d 985, 1008-10 (9th Cir. 2007) (upholding exclusion of earlier judgment in light of substantial risk jury would defer to earlier result); *United States v. Gonzalez-Flores,* 418 F.3d 1093, 1098-99 (9th Cir. 2005) (finding abuse of discretion in admitting inflammatory testimony not supporting elements of crime and only slightly probative to charged offense, as it could have triggered jury's desire to punish); *Compaq Comp. Corp. v. Ergonome, Inc.*, 387 F.3d 403, 409 (5th Cir. 2004). No matter how Oracle attempts to use the conviction, if it is admitted, the jury may try to punish Defendants by increasing the damages award. Punishment is neither relevant nor proper in assessing civil copyright damages. Further, by stipulation, Oracle relinquished its right to seek punitive damages and should not be allowed to use the conviction to circumvent that voluntary decision.

Second, the conviction likely will confuse the jury as to how it relates to SAP. While SAP AG and SAP America, Inc. agreed to take financial responsibility for TomorrowNow's actions, neither was indicted, charged, or found guilty of a criminal offense. If Oracle is allowed to introduce and use the conviction in any way against SAP AG and SAP America, Inc., this will improperly encourage the jury to assume that SAP AG and SAP America, Inc. pled guilty to a crime as well; this is untrue and likely would improperly influence the jury's deliberation.

***Rule 609 Character Evidence.*** Rule 609 of the Federal Rules of Evidence does not provide a basis for Oracle to offer evidence of TommorowNow's conviction.[4] Rule 609 provides that a party may impeach a witness's character for truthfulness with evidence that the witness was convicted of a crime, "if the court can readily determine that establishing the elements of the crime required proving—or the witness admitting—a dishonest act or false statement." Fed. R. Evid. 609. The plain language of Rule 609 applies only to a *witness's* own conviction, and no Ninth Circuit authority supports extending the rule to permit use of a *corporate* conviction to impeach an individual. And Oracle should be prohibited from calling a TomorrowNow witness for the sole purpose of attempting to expose the jury to the conviction. *United States v. Gilbert*, 57 F.3d 709, 711 (9th Cir. 1995) (holding that party cannot call witness with primary goal of

[4] Even if the Court determines Rule 609 permits impeachment of any individual witness with TomorrowNow's conviction, it should limit the way in which the conviction may be used, and require strict adherence to the rule, allowing only the barest of details absent exceptional circumstances. *United States v. Osazuwa*, 564 F.3d 1169, 1175 (9th Cir. 2009). Further, if it is allowed at all, such impeachment evidence should be permitted only if the witness was directly involved in the criminal activity leading to TomorrowNow's conviction, as the policy underlying Rule 609 is to inform the jury about the character of the specific witness the jury is being asked to believe. *Walden v. Georgia Pacific Corp.*, 126 F.3d 506, 523-24 (3d Cir. 1997) (affirming exclusion of corporation's conviction as improper when used to impeach employee witnesses not directly involved in underlying actions that led to corporation's conviction). Thus, to the extent that this Court finds that the conviction is admissible under Rule 609, at most, it could be used only to impeach former TomorrowNow employees (to the extent they are properly called to testify for other purposes) that downloaded or copied Oracle software without authorization or in excess of license grants between 2005 and 2007 (*e.g.*, the subject matter of the criminal plea and related orders), and a limiting instruction should be issued.

impeaching witness or presenting substantive evidence that is otherwise inadmissible).

## IV. MOTION IN LIMINE NO. 4 TO PROHIBIT ORACLE FROM REFERRING TO "THEFT" OR "STEALING" OF SOFTWARE

During the first trial, the Court instructed Oracle to refrain from using the word "theft" or "stealing" to describe TomorrowNow's conduct. Lanier Decl. ¶ 18, Ex. 18 (11/1/10 Trial Tr.) at 257:1-15; Ex. 18 (11/22/10 Trial Tr.) at 2030:19-2031:12. Despite the Court's instruction, Oracle did not comply. *See, e.g., id.* ¶ 18, Ex. 18 (11/8/10 Trial Tr.) at 867:10-15; Ex. 18 (11/22/10 Trial Tr.) at 2185:19-2186:12. Defendants therefore are compelled to ask the Court to prohibit Oracle from referring to TomorrowNow's actions at the new trial in this civil case as "theft," "stealing," or any variation of those terms.

TomorrowNow stipulated to liability for civil copyright infringement. The elements of this claim are: (1) ownership of a valid copyright and (2) copying original elements of a copyrighted work. *See Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991). Even had Defendants not stipulated to liability, Oracle would not need to prove TomorrowNow committed theft to meet its liability burden. As the Court noted, a theft case is not the same as a copyright infringement case. Lanier Decl. ¶ 18, Ex. 18 (11/1/10 Trial Tr.) at 257:1-5; Ex. 18 (11/22/10 Trial Tr.) at 2030:19-2031:11. Colorful analogies aside, copyright infringement is copying, not taking; Oracle still has the software it bought and licenses to its customers.

Characterizing the stipulated copyright infringement as theft is not accurate. It is also not relevant to determining the sole remaining issues in this case: the amount of lost and infringer's profits for civil copyright infringement when liability is stipulated. These issues turn on why customers left Oracle. Inflammatory and inaccurate characterizations of TomorrowNow's conduct as theft lack any probative value at all to resolving these issues.

Even if there were somehow probative value in using the terms "theft," "stealing," or their variations, such references still should be excluded, since any probative value is substantially outweighed by the accompanying unfair prejudice. Fed. R. Evid. 403. The Ninth Circuit has held that inflammatory terms should be excluded as unfairly prejudicial when less inflammatory terms are equally relevant. *United States v. Cabrera*, 222 F.3d 590, 595-96 (9th Cir. 2000). Oracle can say “copying” or “infringing.” The only purpose served by saying “stealing” or “theft” is to inflame the jury to punish SAP through a larger damages award. This is the very type of unfair prejudice Rule 403 is intended to prevent.

Dated: April 26, 2012

JONES DAY

By: /s/ Tharan Gregory Lanier
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