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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION

ORACLE USA, INC., *et al.*, Plaintiffs, v. SAP AG, *et al.*, Defendants.	Case No. 07-CV-01658 PJH (EDL) **ORACLE'S OPPOSITIONS TO SAP'S 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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I. SAP'S MOTION IN LIMINE NO. 1: INFRINGERS' PROFITS EVIDENCE

SAP's first motion *in limine* asserts several unconnected arguments designed to avoid the consequences of SAP's conduct and the Ninth Circuit rules governing Oracle's recovery. Most of it focuses on challenging Oracle's six page supplemental expert damages report, served on April 20, 2012, despite the fact that SAP's own damages expert continuously updated his own analysis up to and throughout the first trial. SAP also challenges Oracle's right to follow the Ninth Circuit jury instructions regarding whether SAP may deduct expenses from its infringers' revenues where it has willfully infringed.

SAP's motion largely ignores two essential circumstances in which the parties and Court find themselves. First, time has passed. Although SAP chose not to supplement its revenue disclosures (as the rules arguably obligated it to do), and refused to provide updated data when Oracle asked, the fact remains that since the last data SAP provided, it has continued to generate revenues from customers connected directly to Defendants' infringement. Accordingly, Oracle has updated its calculations in its supplemental damages report. The report contains no new theories, just a straightforward calculation based on data the parties have both had for years.

Second, since the last trial, TN has pled guilty to criminal copyright infringement and computer fraud, and admitted that it "willfully infringed" Oracle's copyrights. Thus, an issue that remained open at the last trial has closed, with important consequences for the infringers' profits portion of the second trial. The controlling Ninth Circuit jury instruction makes clear that willful infringers may not deduct expenses from proven gross revenues. SAP never cites or addresses this instruction. SAP also never denies that it willfully infringed.

SAP's motion implicates important questions about SAP's burden of proof. Contrary to SAP's argument, even if the Court were to allow SAP to deduct expenses from its gross revenues to arrive at infringers' profits, SAP has the burden to prove those expenses that relate directly to the infringement. SAP's motion improperly seeks to reverse this burden.

Finally, SAP seeks to limit Oracle's trial presentation based on SAP's "List of 86" customers. There is no basis for that request. As the facts will show (and did show at the first trial), Oracle did not agree to such a list or bind itself to SAP's unilateral declaration.

A. Experts For Both Parties Continuously Updated Their Opinions Up To And Into Trial To Account For Changes Over Time

SAP bought TN to make it the centerpiece of its Safe Passage program, which SAP designed to damage Oracle by taking its customers and depriving it of the associated revenue streams (thus benefitting SAP). With the illegal TN model as the "key part" and "major cornerstone," SAP also used Safe Passage to commit customers to maintenance with TN, cross-sell them into SAP applications, and up-sell them into other products. Declaration of Thai Le ("Le Decl."), Exs. A (Hurst Dep.) at 78:8-20; B (Ziemen Dep.) at 302:9-17, 326:18-23, 485:3-14, 504:8-14, 505:6-10; C (PTX 6); D (PTX 161) at 4; E (PTX 404). SAP's use of TN thus resulted in hundreds of millions of dollars in maintenance, new license, and consulting revenue to SAP from customers associated with TN's infringing business model – the basis for Oracle's infringers' profits claim.

1. Meyer Disclosed His Expert Opinion Measuring Infringers' Revenues In November 2009 And Supplemented It Before And At Trial

On November 16, 2009, Oracle's damages expert, Paul Meyer, disclosed his damages opinions. These included a hypothetical license for SAP's infringement of the relevant product lines, a lost profits opinion, and – consistent with the burden of proof set forth by Copyright Act § 504(b) – an opinion only on the *revenues* that SAP and TN earned from their infringement. Le Decl., Ex. F (11/16/09 Meyer Rpt.). Specifically, Meyer opined that:

> TomorrowNow received $54.1 million in revenue since 2002. . . . Net of revenue reductions for settlement payments made, TomorrowNow received $41 million in net revenue from the Relevant TomorrowNow Customers since 2002. . . .

Id. ¶ 438. Meyer further opined that:

> From 2005 (when SAP acquired [] TomorrowNow) through 2008, SAP received $1.37 billion in revenue from sales of SAP software licenses, support, training and other services to the List of 86 customers, $898 million of which was received after the customer started receiving support services from TomorrowNow.

Id. ¶ 445. Meyer supplemented his opinion in February 2010 to incorporate his consideration of evidence produced at the end of discovery and to correct certain errata. In that supplement, he repeated his infringers' revenue opinion in its entirety. Le Decl., Ex. G (2/23/10 Meyer Rpt.)

¶¶ 434-450. Meyer supplemented his opinion again in May 2010 to rebut a supplemental report issued by SAP's damages expert, Stephen Clarke. Le Decl., Ex. H (Meyer Dep.) at 99:10-25. The rebuttal included an opinion on SAP's profit margin. *Id.* Meyer did not change his opinion regarding TN's infringers' revenues.[1]

2. Clarke Repeatedly "Revised" His Damages Opinion Before And After His Deposition, And Through Trial

SAP challenges Meyer's supplemental damages opinion but ignores that Clarke "submitted a series of expert reports and supplements" through which he "consistently revised the damages that [he has] asserted," Le Decl., Ex. I (Trial Tr.) at 1638:3-9:

- SAP served Clarke's initial report on March 26, 2010, in which he opined that Oracle's lost and infringers' profits totaled $38 million. *Id.* at 1641:3-1641:20.
- On April 13, 2010, Clarke supplemented his report's appendices by adding information for over fifty customers. Le Decl. ¶ 11.
- On May 7, 2010, Clarke again supplemented his report, and served updated versions of all of his appendices. Le Decl., Ex. I (Trial Tr.) at 1641:22-1642:3. Clarke stated that Oracle's lost and infringers' profits totaled $36.4 million. *Id.*
- <u>Clarke was deposed on June 6-8, 2010</u>. Le Decl. ¶ 12.
- On June 21, 2010, Clarke served an updated report relying on an untimely declaration. Le Decl., Ex. I (Trial Tr.) at 1642:9-18. Clarke stated that Oracle's lost and infringers' profits totaled $35.3 million. *Id.*
- On August 4, 2010, Clarke served another report supplement based on his reliance on another newly produced declaration. Le Decl. Ex. J (8/4/10 Clarke Rpt.).
- <u>The parties filed their exhibit lists, witness lists, and deposition designations on August 5, 2010</u>. Dkt. Nos. 733, 740-42, 744, 746.
- On October 19, 2010, Clarke again supplemented his report, and changed his damages opinion for over fifty customers. Le Decl. Exs. K (10/19/10 Clarke Rpt.); I (Trial Tr.) at 1642:19-1643:1. He then stated that Oracle's lost and infringers' profits totaled $33.9 million. *Id.*
- <u>The first trial commenced on November 2, 2010</u>. Le Decl., Ex. I (Trial Tr.) at 313:1-13.
- On November 14, 2010, Clarke submitted another supplement changing his opinion for some customers. He then stated that Oracle's lost and infringers' profits opinion totaled $28 million. Le Decl., Ex. I (Trial Tr.) at 1643:17-23.

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[1] At trial, Meyer made one final adjustment to his infringers' revenues opinion by removing three customers from his calculation. Le Decl., Ex. I (Trial Tr.) at 1022:6-15.

3. Post-Trial, TN Pled Guilty To Criminal Copyright Infringement, Confirming Its Status As A Willful Infringer

On September 14, 2011, TN pled guilty to criminal copyright infringement. *USA v. TomorrowNow, Inc.*, No. 4:11-cr-642 (N.D. Cal. Sept. 14, 2011), Dkt. No. 13, at 3 ("TN Plea"). TN "agree[d] that, by and through the actions of its employees, it willfully infringed the copyrights of Oracle's copyrighted works during the period alleged . . . and that it did so for the purpose of commercial advantage and private financial gain." *Id.* at 5.

4. Oracle Sought Discovery To Update Its Damages Calculations

On September 1, 2011, the Court ordered a new trial. As Oracle explained in the first trial, because SAP used TN to gain long term customer relationships, SAP's infringement has resulted in ongoing losses to Oracle and ongoing gains to SAP. Le Decl., Ex. I (Trial Tr.) at 936:10-14, 944:1-13. To update its claim for these sums to the new trial date, Oracle asked SAP to update its production of financial information. Le Decl., Ex. L (3/28/12 Ltr.) at 3-4. SAP refused. Le Decl., Ex. M (3/29/12 Email).

5. Meyer Updated His Opinions To Account For The Passage Of Time

To account for SAP's ongoing infringing revenues since the last trial, Meyer issued a six page update to his infringers' profits opinion on April 20, 2012. Le Decl., Ex. N (4/20/12 Meyer Rpt.). Meyer has not changed his infringers' profits theory. His measurement of Defendant's infringing revenues still includes TN maintenance revenues and SAP software, consulting, and maintenance revenues associated with SAP sales of software licenses to TN customers. *Id.* Using the existing data, he simply added three years of SAP maintenance revenues to bring his calculation current through the second trial. *Id.* As described at the first trial, SAP and Oracle's maintenance revenues are consistent, dependable, and profitable, allowing Meyer to project them for the past three years using this existing data. Le Decl., Ex. I (Trial Tr.) at 529:20-530:3. To rebut any proof SAP presented of a profit margin related to these revenues, Meyer also disclosed a maintenance-only support margin of 75%. Le Decl., Ex. N (4/20/12 Meyer Rpt.).

On May 9, 2012, Meyer also issued a one-paragraph update to his lost profits opinion to further account for the passage of time. Le Decl., Ex. O (5/9/12 Meyer Rpt.). His prior lost profits calculation discounted Oracle's lost profits to the date of the first trial. *Id*. Thus, it needed to be updated for the new trial date. *Id*.

B. The Court Should Allow Oracle To Update Its Calculations Based On New Facts Since The Last Trial

"A new trial proceeds de novo, under the broad discretion of a district court judge to supervise trials." *F.T.B. Prods., LLC v. Aftermath Records*, 2011 WL 5174766 at *6 (C.D. Cal. Oct. 31, 2011). The second trial is thus a clean slate, and the Court has wide discretion to admit new witnesses or additional proof not offered in the first trial. *See* 11 Wright, Miller & Kane, FEDERAL PRACTICE & PROCEDURE § 2803, at 50 (2d ed. 1995) ("Decisions respecting the admission of additional witnesses and proof should be guided by considerations of fairness and justice to all parties."); *S. Union Co. v. Irvin*, 563 F.3d 788, 792 n.4 (9th Cir. 2009) (remitting damage award but recognizing new evidence on retrial could result in different damage award). Where the court makes a legal ruling that results in a new trial and "change[s] the rules of the game," it is inappropriate to hold a party to the "tactical decision[s]" it made in the first trial. *Johns Hopkins Univ. v. CellPro, Inc.*, 152 F.3d 1342, 1357 (Fed. Cir. 1998); *F.T.B. Prods.*, 2011 WL 5174766 at *7 (citing *Johns Hopkins*).

SAP's motion focuses on two related categories of evidence: (1) Meyer's updated opinion related to the ongoing revenues SAP has earned from its illegal use of TN, and (2) a claim for infringers' revenues without an expense deduction due to SAP's new status as a willful infringer. As explained below, neither represents a new opinion. Both reflect new circumstances and, as to both, SAP would "largely confront evidence and witnesses already admitted at the first trial." *Total Containment, Inc. v. Dayco Prods., Inc.*, 177 F.Supp.2d 332, 339 (E.D. Pa. 2001) (permitting plaintiff to introduce additional evidence of lost profits and sales in second trial). The Court should exercise its discretion to allow both categories.

1. The Court Should Allow Meyer's Updated Opinions

Meyer has presented the gross revenues attributable to infringement in every report he produced. Thus, the disclosure of that opinion cannot be considered untimely under Rule 26, regardless of the date SAP claims matters: discovery cutoff (Mo. at 6), pre-trial filings (Mo. at

7), expert depositions (Mo. at 6), or the first trial (Mo. at 9). The only "new" disclosures are the updates he provided on April 20, 2012 and May 9, 2012 to account for the passage of time. Those updates only applied his existing methodology to what has happened over the last three years, consistent with the ongoing benefit SAP realized from its infringement, and adjusted his lost profits measurement to account for the new trial date.

a. Meyer's Updated Opinions Are Not A "New Theory"

SAP complains that Oracle presents "new expert opinions under the label of a 'supplement'" and that Meyer presents a "qualitative change[] to his opinion." Mo. at 9. However, in his original November 16, 2009 report, his February 23, 2010 supplement, and his latest April 20, 2012 update, Meyer outlined the same approach to measuring SAP's infringers' revenues as he does now. *See* pp. 2-3, above. In all three reports, he measured the relevant software sales revenues, consulting revenues, and maintenance revenues associated with SAP and TN's infringement. *Id.*

Oracle has long maintained, and SAP's documents admit, that SAP will continue to earn revenues from its infringement for many years. Indeed, SAP launched Safe Passage with TN as its centerpiece precisely because of the high value SAP placed on the stable, recurring revenue associated with sticky, long term customer relationships. Those relationships produce multiple discrete sales over time; they do not lose value at the time of the first, individual sale. *E.g.*, Le Decl., Exs. P (PTX 533) (SAP valuation of maintenance relationships as proving over ten years of recurring revenue); I (Trial Tr.) at 854:18-21 (describing a ten year maintenance relationship as conservative). Therefore, there is nothing "new" about Meyer's updated opinion bringing his calculation of those revenues current.[2]

Contrary to SAP's assertion, Meyer's updates do not present a new theory of damages in

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[2] Because SAP declined to provide the actual data supporting these revenues for the past three years, Meyer used the last year's data he had, and extended it forward. Le Decl, Ex. N (4/20/12 Rpt.). Notably, Meyer did *not* offer a new number for new license or consulting revenue because the existing data did not provide a reliable basis on which to do so. *Id*. The updated number thus understates the actual infringers' revenue through 2012 by an unknown amount.

any respect.[3]

b. Even If Meyer's Updates Were Untimely Under Rule 26, They Were Substantially Justified And Harmless

Because Oracle first disclosed Meyer's infringing revenues opinion on November 16, 2009, and has repeated that disclosure several times since, the only possible opinions that could arguably be untimely are his April 16 and May 9, 2012 updates. Even if so, they were substantially justified and harmless, and the Court should allow them under Rule 37(c).

In exercising the Court's "broad discretion" to determine whether a late disclosure is substantially justified or harmless, the Court may consider, "(1) the surprise to the party against whom the evidence would be offered; (2) the ability of that party to cure the surprise; (3) the extent to which allowing the evidence would disrupt the trial; (4) the importance of the evidence; and (5) the nondisclosing party's explanation for its failure to disclose the evidence." *Unionamerica Ins. Co., Ltd. v. Fort Miller Grp., Inc.*, 2009 WL 275104, at *1 (N.D.Cal. 2009) (quoting *S. States Rack And Fixture, Inc. v. Sherwin-Williams Co.*, 318 F.3d 592, 597 (4th Cir. 2003)). All factors point to admission.

First, SAP can claim no surprise that Meyer has updated his opinions. Meyer's updated infringers' profits calculation uses the same theory, and is based on the same data SAP produced years ago, merely to project a new total through 2012 to account for the passage of time. If SAP complains about the accuracy of the number, it should provide the actual data, as Oracle requested. Meyer's updated lost profits opinion merely adjusts his present value calculation to account for the new trial date, an issue that SAP's expert also must address. Moreover, SAP's expert Clarke "consistently revised the damages that [he] asserted" after his deposition, after the pre-trial filings (on over fifty customers), and even during trial. *See* p. 3, above.[4] Thus, SAP's

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[3] By contrast, the supplemental expert opinion was excluded in *Luke v. Family Care & Urgent Med. Clinics*, 323 F. App'x 496, 500 (9th Cir. 2009) because it was a "new theory." Moreover, unlike in *Linder v. Meadow Gold Dairies, Inc.*, 249 F.R.D. 625, 639 (D. Haw. 2008), both parties' experts here have supplemented their expert reports over time to account for changed circumstances.

[4] At the first trial, Oracle cross-examined Clarke on his many and late changes to his damages opinion. Le Decl., Ex. I (Trial Tr.) at 1638:3-1647:25. SAP is free to cross-examine Meyer on

(Footnote Continued on Next Page.)

complaint that it is prejudiced because it "ha[s] been preparing [its] pretrial filings, including [its] witness list, exhibit list, discovery designations" falls flat. Mo. at 7.

Second, to cure any surprise SAP faces, Oracle has offered SAP the opportunity to depose Meyer on the updates to his opinion, so long as Oracle may depose SAP's expert on his responses.

Third, the updates will not disrupt the trial. They were served well before trial, and the first was served before the pre-trial filings, as evidenced by this motion in response to it (in contrast to three of Clarke's supplements, which were made after Oracle's prior pre-trial filings).

Fourth, the updates are extremely important to Oracle's claim. SAP documents show that its use of TN caused ongoing damage to Oracle and accrued benefits to SAP that have continued far beyond TN's life.

Finally, Meyer could not have issued the updates sooner. They are designed to bring his calculation current as of the recently set new trial date.

The Court should allow Meyer's updated opinions. They are harmless and substantially justified. If SAP takes issue with the merits of the measurement, it should meet its burden of proving that a portion of the revenue is attributable to factors beyond its admitted infringement, and/or it should prove relevant deductible expenses. 17 U.S.C. § 504(b).

2. The Court Should Permit Oracle's Evidence Of Infringing Revenues

In each of his reports, Meyer identified the gross revenue associated with Defendants' infringement as the first step in his infringers' profits calculation. *See* pp. 2-3, above. In the first trial, Oracle chose not to attempt to prove willfulness. Non-willful infringers may deduct expenses attributable to or necessarily incurred as part of the infringement. Accordingly, although it was not Oracle's burden, Meyer reduced his gross revenue figure by applying a profit margin that accounted for Defendants' expenses so that he could rebut SAP's evidence regarding its profits margins. Now that Defendants have admitted willfulness, that second step is both

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(Footnote Continued from Previous Page.)

his updated opinion, and will undoubtedly do so.

unnecessary and improper because willful infringers may not deduct expenses. Oracle's choice not to focus on the willful element of the infringers' profits analysis, given the limited time to present its hypothetical license damages case, should not preclude Oracle from asserting the willful infringement Defendants have now admitted, or absolve Defendants of its consequences.

a. Oracle's Decision Not To Present Evidence Of Willfulness In The First Trial Should Not Preclude It From Asserting The Willful Infringement Defendants Have Now Admitted

SAP contends the Court should not preclude deductions despite the willful infringement SAP now admits because Oracle did not pursue that preclusion in the first trial, and offered an infringers' profits calculation that included deductions for expenses. Mo. at 11-12. But there is no proper basis to shield SAP from its willful misconduct. The second trial is a clean slate, and the Court has wide discretion to admit new witnesses or additional proof not offered in the first trial. Wright, Miller & Kane, FEDERAL PRACTICE & PROCEDURE § 2803, at 50. It would be especially unfair to prohibit Oracle from asserting willful infringement, and its consequences for measuring infringers' profits.

First, Oracle did argue in the first trial that it was entitled to recover Defendants' entire gross revenues associated with infringement – some $689 million, as measured by Defendants' expert – because Defendants had not met their burden of showing their expenses were related to infringement. Le Decl., Ex. I (Trial Tr.) at 2095:12-2096:1.

Second, while Oracle did not ask the Court to preclude Defendants' deductions based on willfulness, there is a simple reason for that. The guilty plea that establishes Defendants' willfulness came nearly a year after the first trial. Moreover, although Oracle could have presented proof of willfulness in the first trial, that issue was not relevant to Oracle's primary damages theory (hypothetical license) and it would have consumed substantial time by requiring detailed proof about TN's conduct that the stipulations otherwise avoided. Oracle made a tactical decision to focus its evidence on its primary damage theory instead of on willfulness; and it could not reasonably do both in the time available. If the Court precludes Oracle from pursuing the hypothetical license measure in the second trial, it has "changed the rules of the game" in the most critical respect possible, and it should not then hold Oracle to tactical "decisions it made in the first trial when the legal backdrop was different." *Johns Hopkins*, 152 F.3d at 1357; *F.B.T.*, 2011 WL 5174766 at *6-7.

b. Willful Infringers May Not Deduct Expenses

Contrary to SAP's contentions, willful infringement has consequences for damages. The point of disgorging infringers' profits is to take away the incentive to infringe. *Polar Bear Prods., Inc. v. Timex Corp.*, 384 F.3d 700, 708 (9th Cir. 2004).

The Ninth Circuit's Model Jury Instruction for willful infringement states: "Generally, deductions of defendant's expenses are denied where the defendant's infringement is willful or deliberate." *See* Ninth Circuit Manual of Model Jury Instructions, Instruction 17.27 (citing *Kamar Int'l, Inc. v. Russ Berrie & Co*., 752 F.2d 1326, 1331-32 (9th Cir. 1984); *see Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc*., 772 F.2d 505, 515 (9th Cir. 1985).

SAP asks the Court to ignore the Model Instruction, and contends there is "no statutory basis" for this rule. Mo. at 12. That contention is also wrong. Section 504(b) says:

> In 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 and the elements of profit attributable to factors other than the copyrighted work.

17 U.S.C. § 504(b) (emphasis supplied).

Section 504 does not specify which expenses are "deductible," or under what circumstances. It leaves open the possibility that certain expenses may be "deductible" for some infringers but not "deductible" for others, and that is precisely the way courts have read the statute.[5] *See Frank Music Corp. v. Metro–Goldwyn–Mayer, Inc.*, 772 F.2d 505, 515 (9th Cir.1985); *see also Saxon v. Blann*, 968 F.2d 676, 681 (8th Cir. 1992) (citing *Frank Music*); *Kamar*, 752 F.2d at 1331-32; *Jarvis v. A & M Records*, 827 F.Supp. 282, 294 (D.N.J. 1993); *Manufacturers Technologies, Inc. v. Cams, Inc*., 728 F.Supp. 75, 84 (D.Conn. 1989) (defendant's

[5] Defendants cite one district court decision that allows a willful infringer to deduct expenses. That court concluded the issue was open in the Ninth Circuit, yet does not mention the Model Instruction for willful infringement. *See ZZ Top v. Chrysler Corp.*, 70 F.Supp.2d 1167 (W.D. Wash. 1999).

"overhead or 'allocated expenses'" not deductible because the infringement was willful).

Nothing in the language of Section 504(b) says or suggests any expenses must be "deductible" for willful infringers. The Model Instructions likewise focus on the degree of culpability by precluding the deduction of expenses where infringement was "willful or deliberate." Ninth Circuit Manual of Model Jury Instructions, Instruction 17.27.

It makes sense to preclude expense deductions for willful infringers. Willful infringers may "take a calculated risk that they will not be caught, but that if they are, the only penalty will be to pay back profits while still deducting the costs of the infringement." William F. Patry, 6 Patry on Copyright § 22:143 (2007). That is "not much of a disincentive." *Id.* The most culpable infringers – those who make a deliberate choice to pursue the financial benefits of infringement despite the risk of liability – require a more substantial disincentive. Indeed, TN had no profits because SAP operated it as a loss-leader, so it perfectly exemplifies the rationale for this rule.

Defendants engaged in the most culpable form of infringement – a deliberate plan to infringe Oracle's copyrights on a massive scale, expecting to gain billions of dollars in benefit, and to inflict what Defendants projected would be billions of dollars in harm, hoping of course that they would not get caught. Dkt. 1144 (Pl. Trial Brf.). TN has now pled guilty to criminal copyright infringement, admitting that it "willfully infringed the copyrights of Oracle's copyrighted works . . . for the purpose of commercial advantage and private financial gain." TN Plea. In stipulating to liability, SAP AG and SAP America admitted they "intentionally and materially contributed" to TN's infringement. Le Decl., Ex. Q (JTX 5). This type of premeditated, concerted conduct requires the maximum deterrence available under the statute. The Court should follow the clear rule in the Model Jury Instructions. There is no good reason to allow SAP to avoid the willful infringement it now admits, or the consequences of it. The Court should permit Oracle to claim and recover all gross revenues associated with infringement without any deductions for Defendants' expenses.

3. In Any Event, It Must Remain Defendants' Burden To Prove Deductible Expenses

Even if the Court finds that SAP may deduct some expenses from its infringing revenues, the Court should not allow SAP to avoid its burden of proof. Oracle has the burden only to identify the revenues related to infringement. 17 U.S.C. § 504(b). In the case of a non-willful infringer, it would then be ***SAP's burden*** to "prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work." *Id.*; *see Polar Bear*, 384 F.3d at 711. If SAP fails this burden, the jury can award Oracle infringers' revenues. By moving to prevent Oracle from presenting a claim "beyond the previously disclosed maximum of $408.7 million," Dkt. 1142-1 (Prop. Order), SAP seeks a ruling that Oracle is capped at obtaining infringers' profits even if SAP has not proven a single thing. That is not the law.

Even if the Court allows SAP to deduct expenses, it should hold SAP to its burden of proof.

4. Judicial Estoppel Does Not Apply

SAP's judicial estoppel argument fails for three reasons. First, Meyer's updated opinion to account for the passage of time is not "clearly inconsistent" with his testimony in the first trial. Judicial estoppel should be "reserved for more egregious conduct than just 'threshold' inconsistency." *Gen. Signal Corp. v. MCI Telecomms. Corp.*, 66 F.3d 1500, 1505 (9th Cir. 1995) (citation omitted). Oracle is not "seeking an advantage by taking a clearly inconsistent position" like the parties in the cases SAP cites. *E.g.*, *Hamilton v. State Farm Fire & Cas. Co.*, 270 F.3d 778, 782-85 (9th Cir. 2001) (plaintiff "failed to list his claims against State Farm as assets on his bankruptcy schedules, and then later sued State Farm on the same claims"); *United Nat'l Ins. Co. v. Spectrum Worldwide, Inc.*, 555 F.3d 772, 779 (9th Cir. 2009) (permitting defendant to allege its claim arose on different dates would "allow it the possibility of prevailing on the very position it successfully discredited while attempting to avoid preliminary injunction"); *see also New Hampshire v. Maine*, 532 U.S. 742, 751 (2001) (plaintiff's claim was "clearly inconsistent" with a prior position in a separate litigation that was used to gain the court's approval of a settlement).

Second, Oracle did not persuade this Court to "rely on" or "accept" a previous inconsistent position, as required by the Ninth Circuit. *Hamilton*, 270 F.3d at 783. SAP's argument that "this Court 'accepted' Oracle's previous positions" by "allowing a remittitur" has no merit. Mo. at 10. As this Court explained previously, "once a trial court determines that damages are excessive, it has only two alternatives – either order a new trial, or deny the new trial, conditioned on the prevailing party accepting a remittitur." Dkt. 1081 at 4. The Court's decision to "allow" a remittitur was not based on the specific components of Oracle's lost and infringers' profits calculations, or their temporal scope. Oracle also did not "persuade" the court to accept its earlier position in setting the remittitur value. For example, Oracle did not argue that its previous infringers' profits number was reasonable because it included a 50% cost deduction or because the calculation only extended through 2008. As SAP briefly concedes, Oracle rejected the remittitur. Mo. at 11. The jury will reach a new judgment based on the evidence offered at this trial. Thus, there is no "risk of inconsistent court determinations" or of "creat[ing] the perception that" the court "was misled" in the first or current proceeding. *New Hampshire*, 532 U.S. at 750-51 (citations omitted).

Third, allowing Oracle to update its damages claim will neither unfairly benefit Oracle nor prejudice SAP. Oracle has timely provided SAP with a supplemental report that explains its updated calculations, and SAP may depose Meyer. SAP will have the opportunity to both cross-examine Meyer about his methodology and offer Clarke's contrary opinions for the jury's consideration. Permissible deductible expenses raise a question of law, and Meyer has provided an infringers' revenue opinion since the beginning, so SAP could not have been denied any relevant discovery.

SAP offers no reason in law or equity to preclude Oracle from offering Meyer's updated damages calculations.

C. Oracle Should Not Be Limited To SAP's Artificially Restricted List Of 86 Customers In Presenting Damages Evidence At Trial

SAP's request to restrict Oracle's presentation at trial regarding the list of 86 customers used in the experts' damages calculations is based on a false premise and its own self-help.

Neither is a valid basis for relief.

First, Oracle never agreed that a limited list of customers "comprise the universe of potentially relevant SAP customers" for purposes of Oracle's damages. Mo. at 15. Oracle only agreed it would "not seek *customer specific discovery* . . . of SAP customers beyond 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." Dkt. 1143 (Lanier Decl.), Exs. 8, 9 (emphasis supplied). Through the final day for Oracle to serve written discovery, SAP maintained that its production of information for only eighty-six customers (the "List of 86") met the agreed criteria. Dkt. 325 (6/11/09 Order) at 1. Then, the very next day, SAP told Oracle it had "recently identified seven customers who may fall within the agreed upon parameters [of customer-specific discovery], but cannot be verified by any information or knowledge . . . within Defendants' custody or control." Le Decl., Ex. R (PTX 7035 (admitted at trial without objection, *see* Le Decl., Ex. I (Trial Tr.) at 1724:15-25)). SAP said there might be still other customers who purchased SAP applications through a parent or affiliate, but that SAP could not verify one way or another. SAP also declared that it did "not intend to add [the seven new] customers to the List of 86." Le Decl., Ex. R.

Left without discovery but with SAP's admission that the seven customers might have produced profits for SAP and losses for Oracle, Meyer based his damages calculations on the List of 86 by necessity. However, he noted that his calculation was incomplete due to the other customers that may belong on the List. Le Decl., Ex. G (2/23/10 Meyer Report) at 273, n.831. Oracle therefore intends to argue, as it did at the last trial, that its damages calculations based on the List of 86 are inherently conservative because SAP has admitted there are additional relevant customers for whom it has produced no data. Le Decl., Ex. I (Trial Tr.) at 2178:18-2179:1, 2027:19-2028:4. SAP cannot dispute that its List of 86 is incomplete and it has no legitimate basis to prevent Oracle from doing so.

SAP argues that Oracle waived its right to question the List of 86 when it conducted discovery based on the List and its expert based his opinion on it. However, Oracle *had no choice* but to base its discovery on the List when it could not get the discovery for the additional seven customers required to add them to the List. Oracle objected that SAP's List of 86 was incomplete in its Discovery Statement to the Court one week after SAP informed Oracle of its discovery failure (Dkt. 547 at 19-20), at the November 17, 2009 Discovery Conference Hearing (Le Decl., Ex. S (Hrg. Tr.) at 47:3-20, 49:12-17, 50:24-51:2), in Meyer's initial expert report two weeks later, and in the parties' August 5, 2010 Joint Pretrial Statement before the first trial. Dkt. 745 (Pretrial Stmt.) ¶¶ 397-98. Besides, Oracle is not planning to object to the sufficiency of discovery at the new trial, but to explain why SAP's admissions and discovery failures mean that Oracle's damages calculations are conservative.

Finally, SAP worries that Oracle will state to the jury that the List of 86 "was the work product of SAP's counsel and fails to account for all infringers' profits." Mo. at 16. However, SAP does not deny that its counsel created the list, or that SAP restricted the data it produced in discovery to the customers on the list, even though it later identified additional customers. Oracle should be permitted to describe for the jury how Oracle's damages were measured, and why they are conservative.

II. SAP'S MOTION IN LIMINE NO. 2: EVIDENCE "PREVIOUSLY OFFERED SOLELY TO SUPPORT EXCLUDED DAMAGES THEORIES"

For three reasons, the Court should deny SAP's motion to exclude evidence that was "previously offered solely to support the hypothetical license theory."[6] Mo. at 16. First, SAP does not identify specific evidence, in violation of the Court's rules regarding motions *in limine*. Witness testimony and written exhibits should be considered as they are offered, and not precluded in the overbroad and categorical way SAP proposes. Second, the evidence SAP does identify also relates to infringers' and/or lost profits, and no rule can or does preclude Oracle from using the same evidence to support a different theory. Third, the evidence is relevant and useful to the jury for context and background to Oracle's damages.

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[6] For purposes of this opposition, Oracle will not dispute SAP's premise that Oracle will be precluded from pursuing the hypothetical license theory at the second trial.

A. SAP Does Not Sufficiently Identify The Evidence It Seeks To Exclude

The Court's standing order specifies that "[m]otions in limine are limited to motions to exclude specific items of evidence . . . ." Pretrial Instructions, Judge Hamilton, *available at* http://www.cand.uscourts.gov/pjhorders. That sensible rule is followed in numerous reported decisions. "Motions in limine *must identify the evidence at issue* and state with specificity why such evidence is inadmissible." *Colton Crane Co. v. Terex Cranes Wilmington, Inc.*, 2010 WL 2035800, at *1 (C.D.Cal. May 19, 2010) (emphasis supplied); *see also Hall v. City of Fairfield*, 2012 WL 1155666, at *4 (E.D. Cal. Apr. 5, 2012) (denying motion of limine "[s]ince it is unclear what evidence is involved in th[e] motion"); *CadleRock Joint Venture, L.P. v. Royal Indem. Co.*, 2012 WL 511540, at *8 (N.D. Ohio Feb. 15, 2012) ("CadleRock has not identified any particular document or testimony, and I refuse to make evidentiary determinations in a vacuum. CadleRock is free to raise specific objections to Royal's evidentiary proffers at trial.").

SAP fails to comply with that rule. SAP moves to exclude evidence Oracle offered "solely" to support the hypothetical license theory, but it provides no list of specific testimony or exhibits and fails to explain how the ruling it seeks could possibly be interpreted or enforced. Mo. at 16. *See also* Dkt. 1142-1 (Proposed Order) ("Oracle shall not . . . present any evidence related to a hypothetical license measure of damages, or any other theory of damages previously excluded."). SAP's motion violates this Court's *in limine* rules and the common sense basis for them. The Court should deny the motion on that basis alone.

B. The Evidence SAP Seeks To Exclude Is Relevant To Lost/Infringers' Profits

In its brief, SAP does identify certain categories of evidence (and a handful of specific exhibits and pieces of testimony) that it asserts "was previously offered solely to support the hypothetical license theory." Mo. at 16. In fact, Oracle's evidence relates to both the hypothetical license and lost and infringers' profits (and context).[7] A party may, of course, offer

[7] In fact, Meyer relied on many of the exhibits SAP seeks to exclude in forming his opinions on lost and infringers' profits. *See e.g.*, Le Decl., Ex. G (2/23/10 Meyer Report) at n.819 (citing PTX 12), n.815 (citing PTX 24), and n.673 (citing PTX 24); *see also id.* ¶ 439 (incorporating § IV.B.3 of his report, which references PTX 8 (Meyer's n.134), PTX 161 (Meyer's n.144), PTX 12 (Meyer's n.147 and n.154), and PTX 24 (Meyer's n.140, n.151, and n.158)).

evidence in support of more than one theory, or in support of a different theory on retrial than at the initial trial. *Zemunski v. Kenney*, 808 F.Supp. 703, 714 (D. Neb. 1992) *aff'd*, 984 F. 2d 953 (8th Cir. 1993) ("[A]s to those issues left unresolved in the first trial, parties at retrial are not limited by the evidence previously adduced or the tactics formerly employed in the earlier proceeding."); *see also Patterson v. Haskins*, 470 F.3d 645, 668-9 (6th Cir. 2006) (holding that at retrial, the state would not be limited to presenting the same evidence it had introduced at first trial). The Court should deny SAP's motion on this ground as well.

1. Evidence SAP Accepted The Risk Of Infringement

SAP argues the Court should exclude, as a category, evidence that SAP knew of and accepted the risk TN violated copyright law. Mo. at 17. SAP says this evidence relates only to the value SAP placed on the software. However, this evidence also relates directly to causation of damages in support of the infringers' profits theory.[8] To establish infringers' profits, Oracle must identify "the gross revenue associated with the infringement." *Polar Bear*, 384 F.3d at 711 n.8. That requires "a causal nexus between the infringement and the gross revenue." *Id.* at 711. A sufficient nexus exists where there is "some evidence . . . [that] the infringement at least partially caused the [revenue]" or where the "revenue stream . . . bear[s] a legally significant relationship to the infringement." *Id.* (recognizing sufficient nexus where infringing photographs were used to promote sales of non-infringing watches).

Oracle's position on retrial will be that all revenues related to TN, including Safe Passage sales, other SAP sales, and TN sales themselves, are associated with Defendants' infringement and create the required nexus. To support its position, Oracle will need to inform the jury what SAP long ago conceded: TN was built upon a foundation of infringement, it could not compete against Oracle without taking Oracle's IP, and SAP knew those facts and relied on them (and the cost savings they enabled) to lure customers to SAP. Le Decl., Exs. T (PTX 19); U (PTX 196 at TN-OR02942479)); V (PTX 35). Oracle must be allowed to explain that SAP knew about TN's

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[8] The Court should find SAP's willfulness conclusively established or admitted at trial, *see* pp. 8-11 above, but if it does not, the evidence at issue is also highly probative as to that issue.

infringement,[9] and used it to make TN the centerpiece of its Safe Passage program, designed to follow SAP's "1-2-3" plan: commit customers to maintenance with TN, cross-sell them into SAP applications, and up-sell them into other products. *Id.*, Ex. C (PTX 6). TN's ability to offer below-cost maintenance rested on its infringement and other illegal conduct. SAP knowingly availed itself of TN's model through Safe Passage, directly connecting those TN Safe Passage customers to the infringement. Thus, to tie SAP revenues to the infringement, Oracle will show that SAP's business model (built on infringement) was central to its ability to generate massive revenues.

Finally, SAP continues to maintain (and will presumably argue at trial) it did not infringe any of Oracle's intellectual property. For example, at an SAP Shareholders' Meeting on May 25, 2011, Mr. McDermott claimed SAP had decided to admit "vicarious and contributory liability" as a mere tactical maneuver "to limit the litigation to the question of damages, which we hoped would result in a lower amount of damages." SAP S'holders' Mtg. Tr. at 4, http://www.sap.com/corporate-en/investors/governance/meetings/pdf/2011-05-25-ShareholderMeeting-e-mcdermott.pdf (last visited May 8, 2012). At the same meeting, Hasso Plattner, the Chairman of SAP AG's Supervisory Board, claimed that SAP's admission of contributory copyright infringement was a mere legal tactic, and that "SAP accepted responsibility on the advice of our lawyers primarily in order to be able to concentrate on the question of damages in the civil proceedings in the USA." SAP S'holders' Mtg. Webcast at 20:16, http://www.sap.com/company/media/ 110525_ShareholdersMeeting_EN_250.asx (last visited May 8, 2009). Mr. Plattner also claimed the press "often interpreted this procedural admittance, wrongly, I might add, to mean that the SAP executive board had admitted it had known about TN's breaches of copyright in the USA," and that, in fact, "the ongoing investigations have not uncovered any signs that any duty was

[9] *See e.g.*, Le Decl., Ex. W (PTX 8) at 2 (which Defendants seek to exclude) ("I am not sure how [TN] gets access to Peoplesoft software, but its very likely that [TN] is using the software outside the contractual use rights granted to them . . ."); *see also id.*, Ex. X (PTX 14) ("The question of legal liability and likely cost . . . need[s] to be called out more explicitly . . . I do think a model of delivery that is legally sound is possible, but it will almost certainly take legal wrangling to get it worked out.").

breached." *Id.* at 20:40. Oracle should be able to present evidence to contradict SAP's claims.

2. SAP's Expected Financial Gains

SAP also argues the Court should exclude a category of evidence it describes as the financial gains SAP expected to receive from TN. Mo. at 17. SAP's expectation that TN would generate revenues for SAP relates directly to causation for infringers' profits. Oracle will show SAP acquired TN and capitalized on its infringing business model to lure away customers and generate revenues.

The specific documents SAP cites in its motion emphasize this point. For example, it seeks to exclude PTX 12, entitled "A Roadmap for PSFT Customers to SAP," which explains in detail how SAP planned to use TN and its infringing business model to generate hundreds of millions in revenues based on its expectations of capturing huge numbers of customers from Oracle and selling them additional licenses and maintenance. Mo. at 17; Dkt. 1143 (Lanier Decl., Ex. 14 at 24). It is literally the "roadmap" that shows how SAP planned to use, and did use, TN's infringement to generate infringers' profits. It should be allowed for that purpose.

The other documents SAP cites are similar. Mo. at 17; Dkt. 1143 (Lanier Decl., Ex. 14 at p. 28 ("Safe Passage: Winning Customers and Markets from Oracle"), p. 29 ("TomorrowNow Integration Meeting"), p. 55 ("Siebel Safe Passage Program Playbook"), and p. 56 ("Biz Opportunity – TNow Offering for Siebel")). Each explains how SAP intended to use TN to generate infringers' profits, and each relates directly to Oracle's causation theory.

3. Risk To Oracle's Investment

SAP also argues that, as a category, the Court should exclude evidence of Oracle's R&D costs and the PeopleSoft acquisition price, although it concedes the evidence "may be relevant." Mo. at 17-18. Indeed it is. This evidence shows how and why SAP believed it could use TN to damage Oracle and drain its profits.

Oracle should be allowed to inform the jury that SAP acquired TN, not just to make more money itself, but also to take money away from Oracle. Specifically, SAP knew that Oracle was counting on the customers and maintenance revenue streams from the PeopleSoft and Siebel acquisitions (and Oracle's own R&D expenditures), and SAP believed it could use TN to thwart

Oracle's plans. These facts are critical to understanding Oracle's lost profits claim. *See e.g.*, Dkt. 1143 (Lanier Decl., Ex. 18 at 339:20-340:4 (explaining that maintenance revenues pay for future R&D); Ex. 12 at 12 ("Oracle's Business Relies On Innovation, Research, and Development."); Ex. 18 at 2093:13-24 (Oracle takes a large "risk associated with [O]racle's significant investments in [acquisitions and R&D].")).

C. The Evidence SAP Seeks To Exclude Will Give The Jury Necessary Context And Background

The Court should also deny SAP's request because the evidence in question will provide the jury with context and background regarding what SAP infringed, and why.[10] The Court previously held that this same evidence provides context for the jury's determination of damages. *See e.g.* Le Decl., Ex. I (Trial Tr.) at 256:12-15 ("I think that Oracle is entitled to use some of this evidence in argument for context. Moreover, I totally agree that there is no prejudice to SAP given that SAP has now stipulated to liability."), 257:7-10 ("I think you can put on some evidence [of SAP's intent] as long as it goes to the questions that you've raised with respect to how the damages are to be valuated and provide some context."). The evidence provides context as relevant now as in the first trial. SAP's plan, which included its knowing use of a criminally infringing business model at TN to convert customers, explains why and how SAP converted Oracle's customers to make money from its infringement and take profits from Oracle.[11] Admission of contextual evidence will aid the jury's determination and, as the Court previously held, does not prejudice SAP.

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[10] For example, one of the documents Defendants ask the Court to exclude, PTX 161, is a presentation SAP entitled "TomorrowNow Integration Meeting" which is directly relevant to how SAP absorbed TN, and how SAP used TN to generate revenues that Oracle is entitled to recover. Mo. at 17. That this document also reveals SAP knew TN's operations were illegal only serves to *increase* its relevance. *See* Le Decl., Ex. D (PTX 161), at 18 ("SAP will leave Texas corporation in existence as a liability shield . . .").

[11] In reality, SAP's motion seeks reconsideration of the Court's previous rulings on this topic. Since SAP did not seek leave to move for reconsideration, its motion should be denied based on that "failure alone." Civ. L. R. 7-9(a)-(b); *United States v. Beardslee*, 2008 U.S. Dist. LEXIS 105667, at *3 (N.D. Cal. Dec. 22, 2008).

III. SAP'S MOTION NO. 3: EVIDENCE OF TN'S CRIMINAL CONVICTION

The Court should deny SAP's third motion *in limine* for three reasons.

A. TN's Criminal Conviction Is Relevant To Damages And Not Unduly Prejudicial

The admissions and facts established in the criminal conviction are relevant to assessing Oracle's damages theories. First, the criminal conviction provides important evidence regarding customer behavior related to lost profits. As SAP states in its trial brief, "[t]he core question in the new trial, then, is whether customers left Oracle maintenance or picked SAP software because of TomorrowNow." Dkt. 1139 at 1:26-2:2. The Plea Agreement provides admissions supporting this causal link:

> TOMORROWNOW was engaged in an effort to convince Oracle customers that had licensed Oracle's software to terminate their use of Oracle's maintenance and support services for that software and instead to retain TOMORROWNOW to provide those maintenance and support services. *As a result of these efforts*, a number of Oracle customers did switch from using Oracle's maintenance and support services to using TOMORROWNOW for such services. *In order to service some customers,* TOMORROWNOW obtained copies of the Oracle software and related documentation that the customer had licensed from Oracle.
>
> . . .
>
> TOMORROWNOW employees engaged in this copying of Oracle Software *in order to provide service* to TOMORROWNOW customers, and *as a result* attract new TOMORROWNOW customers.

TN Plea at 3, 5 (emphasis supplied).

Oracle can meet its burden of proving lost profits by establishing with "reasonable probability the existence of a causal connection between the infringement and a loss of revenue." *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 576 (1985). In assessing Oracle's lost profits theory, TN's admissions make it reasonable for the jury to conclude that customers would have remained with Oracle had SAP not been infringing the copyrights by having local copies of the software on their systems as a way to induce and support customers. *See generally Lewis v. District of Columbia*, 793 F.2d 361, 363 (D.C. Cir. 1986) (holding in the criminal context that the admission of evidence of other bad acts to assist the jury in measuring the "extent of any damages [that] proximately resulted from any wrongful actions of the defendant" is a legitimate use of such evidence); *Secretary, Dept. of Labor v. Seibert*, 2012 WL 898823, at *3 (11th Cir. Mar. 19, 2012) (finding that the lower court properly admitted statements from an earlier criminal plea agreement that contained factual admissions that, being "highly relevant to the issues being decided, had significant probative value").[12]

Second, TN's admission in its guilty plea that it "willfully infringed" Oracle's copyrights "for the purpose of commercial advantage and private financial gain" is relevant to infringers' profits. *TomorrowNow, Inc.*, Dkt. No. 13, at p. 5; pp. 8-11, above.

Third, if the Court permits evidence in support of hypothetical license damages, evidence of the criminal conviction supports the high value SAP placed on the rights it infringed. *See, e.g., Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1123, 1131 (S.D.N.Y. 1970) ("GP's calculated infringement . . . is an admission by conduct" of value "[t]he Court finds that GP would have been willing to pay a substantial royalty to USP in order to obtain reasonably anticipated large profits without the risk of infringement liability."); *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 552 (Fed. Cir. 1984) ("Champion's decision to risk infringement liability indicates the value it placed on the patented features.").

Further, the probative value of this evidence outweighs any *unfair* prejudice to SAP. As the Court previously recognized, SAP's liability stipulation (and, by the same reasoning, TN's guilty plea) ensure that any liability evidence will not unduly prejudice SAP. Le Decl., Ex. I (Trial Tr.) at 256:6-257:10 ("I think that Oracle is entitled to use some of this evidence in argument for context. Moreover, I totally agree that there is no prejudice to SAP given that SAP has now stipulated to liability."). Rule 403 is an extraordinary remedy that "should be applied sparingly." *United States v. Cole*, 755 F.2d 748, 766 (11th Cir. 1985). It should not be applied here, where the entire point of trial is to accurately assess the damages Oracle is owed based on

[12] Contrary to Defendants' assertion, FRE 801 establishes that each statement made in connection with the criminal conviction is *not* hearsay. Rule 801(d)(2)(A) provides that a statement is *not* hearsay if: "[t]he statement is offered against a party" and is (A) the party's own statement in either an "individual or a representative capacity." Whether to admit such evidence is within the trial judge's discretion so long as that evidence is relevant to the issues at trial. Fed. R. Evid. 104; *see also U.S. v. Killough*, 848 F. 2d 1523, 1528 (11th Cir. 1988).

the same conduct conceded in the guilty plea. *U.S. v. Killough*, 848 F. 2d 1523, 1528 (11th Cir. 1988) (affirming admission of defendants' guilty pleas from the prior criminal investigation of a kickback scheme during the civil trial, notwithstanding that trial court had granted summary judgment on liability, where pleas were relevant to calculating damages and not unfairly prejudicial to defendants); *Waknin v. Chamberlain*, 467 Mich. 329, 336 (2002) (without more, it is not unfair to admit evidence of criminal conviction in a civil case that "arises from the same incident that resulted in a criminal conviction").

SAP's cases to the contrary are not on point; none of them involved evidence that was directly probative of an issue at trial.[13] By contrast, the criminal conviction at issue here is highly probative to the assessment of damages and causation, and does not unfairly prejudice SAP.[14]

B. The Criminal Conviction Is Permissible Impeachment Evidence

SAP America Chief Operating Officer Mark White, who will testify at trial, pled guilty on behalf of TN to criminal copyright infringement and computer fraud. *TomorrowNow, Inc.*, Dkt. No. 13, at pp. 2-5. As Executive Chairman of TN, White oversaw the creation of software copies for which he then pled guilty on behalf of TN. White admitted that TN "knowingly accessed Oracle's computer servers . . . *without authorization*, or in excess of authorized access, that it did so with the *intent to defraud*, and that by such conduct, it furthered the intended fraud

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[13] *See United States v. Smith*, 196 F. 3d 1034, 1037-38 (9th Cir. 1999) (affirming exclusion of extrinsic evidence offered solely to challenge the veracity of non-party witness' statements that had minimal if any probative value); *United States v. Bush*, 58 F.3d 482, 488-90 (9th Cir. 1995) (harmless error to admit character evidence with no probative value); *Engquist v. Oregon*, 478 F. 3d 985, 1008 (9th Cir. 2007) (upholding exclusion of a co-worker's earlier verdict against the defendant (also an employment discrimination case) for fear that the jury would be influenced in the case at bar; noting that the district court allowed evidence of the co-worker's trial for impeachment); *United States v. Gonzalez-Flores*, 418 F. 3d 1093, 1098-99 (9th Cir. 2005) (in a prosecution for alien smuggling, reversing admission of evidence that two young girls defendant brought to the United States suffered heat stroke because prejudice outweighed the minimal probative value); *Compaq Comp. Corp. v. Ergonome, Inc.*, 387 F. 3d. 403, 409 (5th Cir. 2004) (affirming exclusion of evidence of "tangential litigation").

[14] Defendants also suggest that the jury will likely confuse how TN's conviction relates to SAP. The Court can eliminate any potential such confusion with an appropriate instruction.

and obtained things of value, which included Oracle software and related documentation." *Id.* at 4 (emphasis supplied). Having personally furthered TN's criminal conduct, the conviction particularly relates to White's truthfulness.

Evidence that any witness has been convicted of a crime "*must be admitted* 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(a)(2) (emphasis supplied). Crimes involving "a dishonest act or false statement" are not subject to Rule 403. *See e.g., U.S. v. Tanaka*, 204 F. App'x 705, 706 (9th Cir. 2006) ("crimes involving dishonesty are automatically admissible for impeachment purposes"); *United States v. Rochelle*, 131 F.3d 150, at *1 (9th Cir. 1997) (conviction involving dishonesty or a false statement "admissible under Rule 609(a)(2) without any balancing analysis").

SAP argues that Rule 609 does not apply to corporate convictions. That is wrong. A party may use "a corporation's felony conviction to impeach the corporation's *vicarious* testimony." *Hickson Corp. v. Norfolk S. Ry. Co.*, 227 F.Supp.2d 903, 907 (E.D. Tenn. 2002) ("Because a corporation speaks through its officers, employees, and other agents, however, it stands to reason a corporation can be a vicarious witness. The Court concludes, therefore, Rule 609 allows the use of a corporation's felony conviction to impeach the corporation's vicarious testimony.")[15]; *Stone v. C.R. Bard, Inc.*, 2003 WL 22902564, at *3 (S.D.N.Y. Dec. 8, 2003) (corporate representative may be impeached by corporation's conviction).

C. The Parties Stipulations Allow Evidence Of The Criminal Conviction

Finally, both sides agreed that liability evidence is admissible as "background or context" and as "relevant to damages," and further agreed not to object on the basis of Rule 402 or 403:

> Subject only to the trial time limits set forth in paragraph 8 below, the Parties

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[15] *Hickson Corp.*, distinguishes *Walden v Georgian Pacific Corp.*, 126 F. 3d 506, 523-24 (3d Cir. 1997) (cited by SAP) because that case held only that "[r]ule 609 does not permit corporate convictions to be used to impeach the credibility of employee witnesses not directly connected to the underlying criminal act". *Id.* at 907. Thus, neither *Walden* nor *United States v. Osazuwa*, 564 F.3d 1169, 1175-76 (9th Cir. 2009) (criminal case where the government's "cross examination of Defendant [did not] stay[] within the established bounds of inquiry") apply here.

> may present evidence at trial related to the stipulated claims as background or context . . . as relevant to damages . . . . *The Parties will not object to evidence related to the stipulated claims pursuant to Federal Rules of Evidence 401-403* (including that the evidence is irrelevant, cumulative, unduly time consuming or prejudicial) on grounds that the evidence relates to the stipulated claims.

Le Decl., Ex. Y (JTX 4) at 2 (emphasis supplied). SAP cannot now invoke Rule 402 or 403 to preclude underlying liability context evidence. Mo. at 18.

IV. SAP'S MOTION NO. 4: EVIDENCE OF "THEFT" OR "STEALING"

The Court should deny SAP's motion to preclude the use of certain terms, in particular "theft" and "stealing," to describe its conduct. First, Defendants did steal. TN has admitted its criminal theft of Oracle's copyrighted software, willfully and for financial gain. The Court alluded to the significance of a criminal conviction when stating that "[i]t would be one thing if the investigation had been concluded and there had been adverse findings made." *See* Le Decl., Ex. Z (9/30/2010 Hearing Tr.) at 32:18-20. Second, terms such as "theft" or "stealing" are not uncommon in copyright infringement cases. The leading Ninth Circuit copyright infringement case discussing actual damages refers to a copyright infringement defendant as an "ordinary thief." *Polar Bear*, 384 F.3d at 709. *See also Bus. Trends Anal., Inc. v. Freedonia Group, Inc.*, 887 F.2d 399 (2d Cir.1989) (comparing copyright infringer to a "purse-snatcher"). The Supreme Court has stated that "deliberate unlawful copying is no less an unlawful taking of property than garden-variety theft." *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 261 (2005). It seems only SAP is unwilling to acknowledge what it did. The Court should not preclude Oracle from letting the jury know.[16]

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[16] Contrary to Defendants' assertion, the Court acknowledged that Oracle respected the Court's instructions throughout the course of the first trial. Le Decl., Ex. I (Tr. Trans.) at 2030:22-2031:3.

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