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16 UNITED STATES DISTRICT COURT
17 NORTHERN DISTRICT OF CALIFORNIA
18 SAN FRANCISCO DIVISION

19 ORACLE USA, INC., *et al.*,
20 Plaintiffs,
21 v.
22 SAP AG, *et al.*,
23 Defendants.

CASE NO. 07-CV-01658 PJH (EDL)

**ORACLE'S OPPOSITION TO
DEFENDANTS' MOTION TO
COMPEL DISCOVERY
CONCERNING THIRD PARTY
SUPPORT PROVIDED BY
ORACLE'S PARTNERS**

Date: February 10, 2009
Time: 2 p.m.
Place: Courtroom E, 15th Floor
Judge: Hon. Elizabeth D. Laporte

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1 **I. INTRODUCTION**

2 This case is about Oracle’s largest competitor – SAP – using its subsidiaries to
3 illegally siphon customers from Oracle and convert them to SAP’s software platform. To
4 accomplish this scheme, SAP sold Oracle customers interim support for that customer’s current
5 Oracle software, until the customer might be persuaded to migrate over to SAP’s software
6 platform. SAP’s wholly-owned subsidiary, TomorrowNow (“SAP TN”), provided that interim
7 support, and the Defendants were all aware that SAP TN’s support model relied on massive
8 copyright infringement and computer fraud. The only type of third party support vendor with
9 any relevance to the claims and defenses here are those independent companies with business
10 models like SAP TN. Even though they do not serve SAP, those companies do compete on some
11 level with Oracle to support customers. Oracle has agreed to provide discovery related to those
12 companies.

13 Dissatisfied with that relevant scope, Defendants have sought to expand their
14 discovery into Oracle’s Alliance and Channels program, referred to as Oracle’s “Partner
15 Network.” Consistent with industry practice, Oracle enters into agreements with certain third
16 party companies (“Partners”¹) under which, in exchange for payment of fees, Oracle licenses the
17 Partner the right to sublicense certain of Oracle’s software programs, and to provide a limited
18 level of support, and/or consulting, implementation, integration and customization services
19 related to Oracle programs.

20 Defendants seek discovery into these relationships based on the false premise that
21 Oracle allows Partners to engage in the same kind of infringing activity in which Defendants
22 have engaged. While it is true that certain of Oracle’s Partners provide limited support services
23 to their customers, Partner-provided support is fundamentally different from the infringing
24 services offered by Defendants. Thus, the single thread of similarity is not sufficient to justify
25

26 ¹ In the software industry, the term “Partner” is used as a term of art to refer to these
27 contractual relationships. The parties to the agreements are typically not “Partners” in the legal
28 sense of the word.

1 the burden of opening this entire new vein of discovery.

2 Oracle contracts with those Partners for the benefit of Oracle, the Partner, and the
3 customer. The services they provide are subject to a license agreement with Oracle, rather than
4 in competition with Oracle. These Partners are not attempting to convert the customer to a
5 competing software platform, and their support models do not involve, as SAP TN's did, daily
6 wholesale copying and cross-use of Oracle's application software and support materials. Indeed,
7 Oracle's Partner agreements specifically prohibit this and the fees paid do not account for this
8 activity, which is the very activity that gives rise to Oracle's claims against Defendants here.

9 Defendants are fully aware of these differences. SAP itself is part of Oracle's
10 Partner program, under which SAP is permitted to sublicense Oracle's database program to
11 SAP's customers. SAP omits this fact, because the services permitted by Oracle under that
12 agreement (and all other Partner agreements) and the conduct engaged in by Defendants are, of
13 course, vastly different. Nevertheless, this motion seeks to broaden the proper scope of third
14 party support discovery well beyond what is reasonable or appropriate given the slim reed of
15 similarity between SAP TN and any Oracle Partner.

16 A year ago, recognizing the vast amount of genuinely relevant discovery needed
17 and the waste and burden of discovery into such obviously dissimilar contractual arrangements,
18 Judge Legge denied this same discovery, ruling that Partner discovery was "tangential at best"
19 and requiring Defendants to make a "later showing of relevance and appropriateness" if they
20 wanted to revive their motion. This Court has also twice weighed in on the relevance of Partner
21 discovery, stating first: "I am dubious about whether it's relevant.... it does seem like a
22 completely different thing. And that the relevance would be -- if there is any -- would be
23 outweighed by the burden[.]" (August 28, 2008 Discovery Conference at 61:19-62:2) and then:
24 "Oracle can choose to have partners that it authorizes to use its IP; and that's completely
25 different from somebody ripping it off" (January 8, 2009 Discovery Conference at 54:24-55:2).

26 Despite Judge Legge's ruling and this Court's statements, Defendants' renewed
27 motion seeks discovery that, in many ways, is even broader than what was originally requested
28 and denied. Defendants request not only broad document discovery regarding one Partner,

1 CedarCrestone, purportedly as a set up to get more Partner discovery, but also a 30(b)(6)
2 deposition concerning all of Oracle’s Partners and Partner arrangements. As a software provider
3 with its own broad network of Partners, SAP is fully aware of just how burdensome this request
4 is. In support of this request, Defendants have abandoned one argument that they previously
5 made, rehashed another, and then tacked on additional arguments that this discovery is relevant
6 to a reasonable royalty analysis and is not burdensome. Defendants’ arguments are wrong on the
7 law and the facts. Each fails for the same reasons this discovery was denied in February of 2008
8 – in a case where so much important information needs to be amassed, the minimal relevance of
9 the requested Partner discovery does not justify the burden.

10 In short, as previously held and as this Court also concluded during the August
11 28, 2008 Discovery Conference: “[P]artners with Oracle don’t seem... significantly relevant to
12 open it up.” Defendants’ arguments do not – and cannot – address that fundamental problem.
13 Accordingly, the Court should again deny Defendants’ at-best tangential Partner discovery.

14 **II. STATEMENT OF ISSUE TO BE DECIDED**

15 Whether Defendants’ at-best tangentially relevant and demonstrably burdensome
16 discovery requests concerning Oracle’s Partners should again be denied.

17 **III. BACKGROUND**

18 **A. Defendants Sought And Oracle Properly Objected To The 19 Irrelevant Partner Discovery**

20 In its first set of discovery requests to Oracle, Defendants sought detailed
21 information relating to “any” third-party service providers for Oracle software. *See, e.g.,*
22 Declaration of Jason McDonell in support of Motion to Compel (“McDonell Decl.”), Ex. 2,
23 Request Nos. 32, 33 & 39-40. Defendants took the position that these requests included Oracle’s
24 Partners, like CedarCrestone. *See* Declaration of Zachary J. Alinder in support of Oracle’s
25 Opposition to Motion to Compel (“Alinder Decl.”), filed concurrently with this Opposition, ¶2.
26 Oracle disagreed, and in response to Defendants’ overbroad discovery requests, Oracle properly
27 objected and limited its responses to independent third party support providers, like SAP TN.
28 *See id.; see also* McDonell Decl., Ex. 4, Response No. 9. Following several weeks of meet and

1 confer discussion, Defendants agreed to Oracle could limit certain discovery responses in this
2 manner (confirmed in December 12, 2007 and January 4, 2008 meet and confer correspondence),
3 only to reverse course on January 10, 2008 and demand that Oracle identify and produce
4 information about Oracle's Partners as well. *See* Alinder Decl., ¶2.

5 **B. Defendants' First Motion To Compel Irrelevant Partner**
6 **Discovery**

7 Defendants first moved to compel this Partner discovery before Judge Legge on
8 January 28, 2008. *See id.*, Ex. 1. Defendants' two principal arguments in that motion were that
9 discovery concerning Partners constituted relevant "parol evidence" and was "relevant to the
10 issue of damages." *Id.* at 4-6. Defendants dropped the "parol evidence" argument from the
11 current motion, but have recycled their damages relevance argument. *See* Defendants' Motion to
12 Compel Discovery Concerning Third Party Support Provided By Oracle's Partners ("Motion to
13 Compel") at 8-11. As Oracle argued before in its prior Opposition, none of Defendants'
14 arguments withstand scrutiny. *See* Alinder Decl., Ex. 2 at 4-8.

15 Judge Legge denied Defendants' discovery related to Oracle's Partners, ruling on
16 February 25, 2008 that this discovery was "extensive," "detailed," and "tangential at best."
17 McDonnell Decl., Ex. 11 at 7:3-5. Judge Legge explained:

18 The downloading in this case [is] done either by the
19 customers themselves or by TN as the support company
20 representing those customers. What is the relevance of
21 Oracle's relationships with other third party support[?].
22 That information does not appear to be directly or presently
23 relevant. Defendant argues that it will have something to
24 do with damages.... However, such extensive third party
25 discovery does not now appear to be justified by those
26 narrow potential arguments.

27 *Id.* at 5-11 (emphasis in original). While Judge Legge denied Defendants' Partner discovery
28 without prejudice, that denial came with a requirement that Defendants wait "until [they could
make] a later showing of relevance and appropriateness." *Id.* at 7:15-16.

26 **C. Nothing Has Changed Since The First Motion To Compel To**
27 **Justify Partner Discovery**

28 Since Defendants lost that motion to compel, nothing has changed to make
Partner discovery any more relevant – or any less burdensome.

1 **1. The Court’s Guidance During The August 28, 2008**
2 **Discovery Conference Confirmed The Lack Of**
3 **Relevance**

4 Defendants re-tested the waters on this irrelevant discovery during the August 28,
5 2008 Discovery Conference. The Court responded: “...I would tend to think that partners with
6 Oracle...don’t seem significantly relevant to open it up [to discovery]...if they are Oracle
7 partners, by definition, they are giving them permission to do things and whereas, the ones that
8 are in a similar position to TomorrowNow seem to be [relevant].” Alinder Decl., Ex. 3 at 60:19-
9 24. Despite that guidance, Defendants still made sporadic attempts to ask Oracle’s 30(b)(6)
10 witnesses about Oracle’s Partner programs. *See, e.g.*, McDonell Decl., Exs. 6 & 10.

11 **2. Oracle’s Subpoena To CedarCrestone Concerning The**
12 **Sale Of TomorrowNow Did Not Open The Door For**
13 **Defendants’ Broad Partner Discovery**

14 Oracle served CedarCrestone with a subpoena *duces tecum* on October 31, 2008
15 (“the subpoena” and “Oracle’s subpoena”). *See* McDonell Decl., Ex. 1. This was one of several
16 subpoenas served on the companies Defendants had identified as having received information
17 from them in connection with the potential purchase of SAP TN. *See* Alinder Decl., ¶5. Oracle
18 intended the scope of the subpoena to be limited to (i) CedarCrestone’s consideration of
19 investment in, and possible acquisition of, TomorrowNow, including due diligence documents,
20 communications concerning such due diligence documents, and (ii) any representations that were
21 made in connection with negotiations between Defendants and CedarCrestone, particularly
22 relating to any liability issues. *See id.*; *see also* Declaration of Jennifer Gloss in support of
23 Oracle’s Opposition to Motion to Compel (“Gloss Decl.”), filed concurrently with this
24 Opposition, ¶2. Oracle mistakenly included in that subpoena other topics relating to the
25 provision of software support for Oracle products by CedarCrestone. *See* Alinder Decl., ¶5.
26 Even so, that subpoena did not seek “Partner” information from CedarCrestone. *See id.* When
27 queried by CedarCrestone and Defendants about the scope of the subpoena, Oracle explained the
28 mistake and indicated that it had intended the subpoena to cover the two acquisition-related
 topics described above. *See id.*; *see also* Gloss Decl., ¶2. Defendants then served CedarCrestone

1 with a subpoena *duces tecum* encompassing the Partner discovery topics, which are currently at
2 issue. *See* McDonell Decl., Ex. 14.

3 The Court confirmed during the November 25, 2008 Discovery Conference that
4 Oracle's intended subpoena regarding CedarCrestone as a potential buyer of SAP TN did not
5 open the door for Defendants' broad Partner discovery. *See* McDonell Decl., Ex. 13 at 66:22-24
6 ("If [the subpoena] had to do with a partnership, that's one thing. If they didn't, then it's
7 another. If they didn't, it doesn't open the door."). To make its intentions with regard to the
8 scope of the subpoena absolutely clear, Oracle withdrew the original subpoena. *See id.*, ¶15. On
9 January 9th, Oracle sent CedarCrestone's counsel a corrected subpoena limited to the acquisition
10 topics and requested that Cedar Crestone accept service of the corrected subpoena. *See* Alinder
11 Decl., ¶5. In addition, Oracle timely served written objections to Defendants' CedarCrestone
12 subpoena, maintaining that the Partner discovery is not relevant to any of the claims or defenses
13 in this action. *See* McDonell Decl., Ex. 16. CedarCrestone also objected to Defendants'
14 subpoena, stressing the enormity of the documents being sought and the burden of production.
15 *See id.*, Ex. 15. In sum, Oracle's efforts to obtain relevant discovery from CedarCrestone as a
16 potential purchaser of SAP TN do not provide a basis for Defendants to obtain irrelevant
17 discovery from Oracle related to CedarCrestone's Partner arrangements with Oracle let alone all
18 its service arrangements and histories with any licensed Oracle customers.

19 **3. Defendants' Current Motion Is Even Broader Than The**
20 **First**

21 Defendants fail to make a sufficient new showing of relevance or appropriate
22 burden to revive their old motion, let alone support the additional discovery sought here.
23 Defendants' current motion to compel seeks not only broad-ranging document discovery from
24 Oracle related to its Partner arrangements with CedarCrestone and their customers, but also an
25 open-ended 30(b)(6) deposition concerning all of Oracle's Partner programs.² Defendants'

26 _____
27 ² Defendants' motion also reserves the right to seek even more Partner-related discovery
28 from Oracle. Motion to Compel at 4:1-2.

1 claims that the requested discovery would be of minimal burden are belied by the extensive
2 discovery they've proposed – discovery that would require Oracle witnesses to testify concerning
3 Partner programs related to over 20,000 Oracle Partners throughout the world, dozens of Oracle
4 applications, middleware and database products, and involving at least 19 different industries.
5 *See* Declaration of Colleen A. Kelly in Support of Oracle's Opposition to Motion to Compel
6 ("Kelly Decl."), filed concurrently with this Opposition, ¶2. The connection between SAP TN
7 and Oracle's Partners remains too tenuous and too burdensome to allow the requested discovery
8 to proceed.

9 **IV. THE COURT SHOULD DENY DEFENDANTS' MOTION TO**
10 **COMPEL IRRELEVANT PARTNER DISCOVERY FOR THE**
11 **SECOND, AND FINAL, TIME**

12 **A. The Relevant Discovery Standard**

13 The discovery standard "is not so liberal as to allow a party 'to roam in shadow
14 zones of relevancy and to explore matter which does not presently appear germane....'" *In re*
15 *Fontaine*, 402 F. Supp. 1219, 1221 (E.D.N.Y. 1975) (citations omitted). Indeed, the Federal
16 Rules make it clear that discovery should be denied if it is not relevant or if "the burden or
17 expense of the proposed discovery outweighs its likely benefit, considering the needs of the case,
18 the amount in controversy, the parties' resources, the importance of the issues at stake in the
19 action, and the importance of the discovery in resolving the issues." Fed. R. Civ. P.
20 26(b)(2)(C)(iii). Such limitations give life to Rule 26(b)'s requirement that discovery be
21 "reasonably calculated to lead to the discovery of admissible evidence." Fed. R. Civ. P.
22 26(b)(1). Indeed, at Defendants' urging and over Oracle's objections, these principles have
23 guided this Court's restriction on other discovery matters, including, for example, the number of
24 custodians whose files are to be produced and the hours of allowable deposition time. *See, e.g.*,
25 July 3, 2008 Order Regarding Scope of Discovery of Electronically Stored Information,
26 Including Limits On Numbers Of Custodians To Be Searched And Sampling, Docket No. 107, at
27 1:22-4:17.

28 Further, this is Defendants' second bite at the apple. The prior ruling concerning
Partner discovery required Defendants to make an additional showing of "relevance" and

1 “appropriateness” to revive this motion. McDonnell Decl., Ex. 11 at 7:15-16. Defendants fail to
2 do so.

3 **B. Neither CedarCrestone Or Any Other Oracle Partners Are**
4 **Relevant Here**

5 Based on its last count, Oracle has more than twenty thousand business “Partners”
6 with whom it has contractual arrangements to, *e.g.*, distribute Oracle products. *See* Kelly Decl.,
7 ¶2. These Partner arrangements cover a wide variety of activities, including distributing Oracle’s
8 software programs, providing limited (i.e., “first” and/or “second” level) support to those
9 customers to whom a Partner distributes the programs, providing consulting, integration, and
10 implementation services, and providing training or cross-marketing for Oracle database and
11 applications products. *See id.*

12 Oracle contracts with only a small percentage of its Partners to provide support
13 services on PeopleSoft, J.D. Edwards or Siebel applications – and those are all limited to
14 overseas arrangements where, for example, Oracle acquired a company where such arrangements
15 were already in place, or where Oracle has difficulty providing service in the local language of
16 the region. *See id.*, ¶3. These support Partners are only licensed to handle first level support
17 and, in some cases, second level support. *See id.* First level support typically involves
18 responding to telephone, email or web-based requests for support, incident tracking and
19 resolving customer issues. *See id.* Second level support may include the same services provided
20 in first level support, but could involve more complex issues, and might also involve the Partner
21 helping the customer create and manage an incident request that is sent to Oracle’s support team
22 seeking Oracle’s assistance. *See id.* In that instance, Oracle is providing much of the support,
23 with the Partner acting as the conduit for communication purposes. *See id.* For purposes of
24 supporting these customers, these Partners are not licensed by Oracle to use its intellectual
25 property to create patches, fixes, or updates. *See id.*, ¶3. None of that is like SAP TN.³

26 _____
27 ³ Because SAP provides first level support for Oracle’s database program to certain of
28 SAP’s customers who operate SAP’s applications on a version of the Oracle database licensed by
SAP, SAP should certainly understand the difference between the services Oracle’s Partners are

(Footnote Continued on Next Page.)

1 Indeed, Oracle is not aware of any license with any Partner that would allow that
2 Partner to copy Oracle’s applications software or its support materials in order to create their
3 own fixes, patches or updates for customers. *See id.*, ¶4. Nor has Oracle licensed any Partner to
4 provide support for any de-supported release of PeopleSoft, J.D. Edwards or Siebel applications.
5 *See id.*, ¶5. Thus, even Oracle’s overseas support Partners are nothing like SAP TN.

6 CedarCrestone is an important and decorated Partner of Oracle’s, but it is not
7 licensed to provide support for PeopleSoft, J.D. Edwards or Siebel applications in the United
8 States either. *See Kelly Decl.*, ¶5 (“Oracle has not licensed support Partners for PeopleSoft, J.D.
9 Edwards or Siebel applications in the United States -- including Cedar Crestone.”).
10 “CedarCrestone is the largest, dedicated PeopleSoft Enterprise Systems Integrator....With 24
11 PeopleSoft Enterprise applications in production, CedarCrestone invests heavily in the vision of
12 Oracle.” *Alinder Decl.*, ¶6 & Ex. 4. By its own description, CedarCrestone “provid[es]
13 consulting, technology, and managed services for full life-cycle solutions designed to optimize
14 Oracle applications.” *Id.*, ¶7 & Ex. 5.

15 Far from competing against Oracle or encouraging migration to SAP software
16 applications, CedarCrestone helps drive new Oracle applications sales. *See Declaration of Tyler*
17 *Prince in Support of Oracle’s Opposition to Motion to Compel (“Prince Decl.”)*, filed
18 concurrently with this Opposition, ¶4. Indeed, in 2005, CedarCrestone won Oracle’s Titan
19 Award for being the “PeopleSoft Partner of the Year.” *See id.* Oracle awarded this honor in
20 recognition of CedarCrestone exceeding their PeopleSoft co-selling targets, and for driving
21 numerous marketing campaigns and initiatives with PeopleSoft. *See id.* Similarly, in 2007,
22 CedarCrestone earned honorable mention recognition for Oracle’s “Applications Momentum”
23 Titan Award, given to a Partner with a proven track record in selling and/or influencing the sales
24 of Oracle applications, as well increasing investments in training and marketing. *See id.* Thus,

25 _____
26 (Footnote Continued from Previous Page.)

27 licensed to provide and the infringing activity in which Defendants were engaged. *See Kelly*
28 *Decl.*, ¶2.

1 CedarCrestone not only pays Oracle a licensing fee, but helps drive new Oracle applications
2 sales – the exact opposite of SAP TN.

3 Critically, and like all other Oracle Partners, CedarCrestone has no license with
4 Oracle to do any of the infringing acts SAP TN did to support its customers here. *See id.*, ¶¶2-3;
5 *see also* Kelly Decl., ¶¶2-5. For example, CedarCrestone’s Partner agreement states that they
6 may not:

- 7 • Remove or modify any program markings or any notice of Oracle’s or its
8 licensors proprietary rights;
- 9 • Make the programs or materials resulting from the services available in
10 any manner to any third party for use in the third party’s business
11 operations (unless such access is expressly permitted for the specific
12 program license or materials from the services you have acquired);
- 13 • Cause or permit reverse engineering (unless required by law for
14 interoperability), disassembly, decompilation of the programs;
- 15 • Disclose results of any program benchmark tests without Oracle’s prior
16 written consent;
- 17 • Use the Oracle property in a manner that misrepresents your relationship
18 with Oracle or is otherwise misleading or that reflects negatively on
19 Oracle;
- 20 • Use or duplicate the Oracle property provided to you by Oracle for any
21 purpose other than as specified in the Oracle PartnerNetwork policies or in
22 this agreement or make the Oracle property available to unauthorized third
23 parties;
- 24 • Use the Oracle property for your own internal business operations, or use
25 the Oracle property or make the Oracle property available in any manner
26 to any third party for use in the third party’s business operations or for any
27 other commercial or production use; or,
- 28 • Use third party programs except in conjunction with the Oracle owned
programs.

23 *See* Prince Decl., ¶2. Thus, SAP TN’s methods of support are specifically prohibited by Oracle’s
24 Partner agreement, including CedarCrestone’s. *See, e.g.*, Oracle’s Third Amended Complaint
25 (“TAC”), Docket No. 182, ¶¶ 10, 16-19, 115-118, 126-128 (describing how SAP TN’s support
26 for its customers was dependent on near continuous copyright infringement and computer fraud);
27 *see also* Prince Decl., ¶¶2-3; *see also* Howard Decl. in Support of Oracle’s Motion to Compel

1 Discovery Related to Hyperion, Retek, and EBS Products (“Howard Decl.”), Docket No. 234,
2 ¶¶6-8.

3 SAP TN plainly is not an Oracle Partner in any sense of the word. SAP TN is a
4 third party support provider, independent of Oracle, and a wholly-owned subsidiary of Oracle’s
5 primary competitor in the business applications software market, SAP. *See* TAC, ¶41. Its entire
6 purpose is to undermine Oracle: its marketing is anti-Oracle; its purpose, as SAP’s tool, was “to
7 leverage service as a competitive weapon” against Oracle; its discounted (or free) service pricing
8 was designed to take service revenue and ultimately application sales business away from
9 Oracle. *See* Howard Decl., Exs. E-F & ¶¶6-8; *see also* TAC, ¶¶27 & 29. Defendants do not –
10 and cannot – demonstrate how Oracle’s policies towards third party competitors, like SAP TN,
11 are remotely analogous to its contractual arrangements with its non-competitor Partners.

12 C. Oracle Has Made A Reasonable Production

13 Though Oracle’s policies towards other third party competitors are also tangential
14 to what Defendants did here, Oracle nonetheless agreed to produce such information. *See*
15 Alinder Decl., ¶2. That production satisfies any arguably proper scope of Defendants’ requests.
16 *See, e.g., Nugget Hydroelectric v. PG&E*, 981 F.2d 429, 438-39 (9th Cir. 1992) (upholding
17 denial of broad third party contract discovery because only a fraction would be relevant to the
18 claim). Defendants do not and cannot justify more.

19 1. Partner Discovery Is Not Relevant To A Reasonable 20 Royalty Analysis

21 Defendants’ first relevance argument is that their Partner discovery “*may* bear on
22 the calculation of damages...specifically, a reasonable royalty....” Motion to Compel at 8:15-16
23 (emphasis supplied). Unsubstantiated speculation is no basis for intrusive discovery; even more
24 so where, as here, Oracle’s Partners are so demonstrably different from SAP TN that they could
25 not possibly serve as the basis for a reasonable royalty comparison. *See* Kelly Decl., ¶¶2-5; *see*
26 *also Food Lion, Inc. v. United Food & Comm'l Workers Int'l Union*, 103 F.3d 1007, 1012-13
27 (D.C. Cir. 1997) (A party may not “explore matter which does not presently appear germane on
28 the theory that it might conceivably become so.”).

1 Moreover, Defendants do not, and cannot, show that their requested Partner
2 discovery could even yield information that establishes the license value of what they stole under
3 the tests for such damages. The CedarCrestone agreements Defendants seek are irrelevant
4 because CedarCrestone’s business model, like other Partners, is nothing like SAP TN’s. But,
5 even if these Partners were similar to SAP TN, the categories of documents Defendants seek –
6 (1) the nature of services provided by CedarCrestone, (2) “customer profiles” identified as
7 candidates for support from CedarCrestone, (3) identification of customers receiving support
8 from CedarCrestone – do not even relate to calculation of a reasonable royalty. See Motion to
9 Compel at 2:13-21.

10 To arrive at a reasonable royalty, the Ninth Circuit endorses a “hypothetical
11 approach: what a willing buyer would have been reasonably required to pay to a willing seller
12 for [the owner’s] work.” *Mackie v. Rieser*, 296 F.3d 909, 917 (9th Cir. 2002) (quoting *Sid &*
13 *Monty Krofft Television Prods. v. McDonald's Corp.*, 562 F.2d 1157, 1174 (9th Cir. 1977))
14 (internal citations omitted). As part of this analysis, courts create a pre-use hypothetical
15 negotiation between two similarly situated parties for the use of the infringed work. A plaintiff
16 need not prove either profit to the infringer or its own quantifiable loss to be entitled to these
17 damages. See *Berkla v. Corel Corp.*, 66 F. Supp. 2d 1129, 1146 (E.D. Cal. 1999). Courts
18 consider a number of factors aimed at determining the reasonable license fee. See, e.g., *Georgia-*
19 *Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970) (drawing from
20 “leading cases” “[a] comprehensive list of evidentiary facts relevant, in general, to the
21 determination of the amount of a reasonable royalty for a patent license” including whether the
22 parties are competitors); see also *Bruce v. Weekly World News, Inc.*, 310 F.3d 25, 29-30 (1st Cir.
23 2002) (emphasizing “proof of industry practice” to estimate damages). While courts have found
24 benchmark licenses useful to determine a reasonable royalty in certain cases, they also “have
25 recognized the error of beginning with a benchmark license for a use different from that made by
26 the infringer.” *Country Road Music, Inc. v. MP3.com*, 279 F. Supp. 2d 325, 331 (S.D.N.Y.
27 2003) (citing and quoting cases rejecting applicability of benchmark licenses involving
28 dissimilar (1) terms of use, (2) exclusivity, (3) breadth, and (4) nature of business).

1 Defendants do not – and cannot – begin to demonstrate that there is a single
2 Oracle Partner agreement – CedarCrestone’s or otherwise – that, in contravention of the
3 customer license agreements, allows an Oracle Partner to use Oracle’s intellectual property
4 across Oracle’s customer base to compete against Oracle at a discounted rate for the purposes of
5 driving Oracle customers to competitive products. Because there isn’t. *See* Kelly Decl., ¶¶3-5;
6 *see also* Prince Decl., ¶¶2-3. Oracle’s contractual arrangements with its non-competing Partners
7 are, thus, far too dissimilar from any license the SAP Defendants would have to secure to be
8 admissible as a benchmark in evaluating a reasonable royalty.

9 The *Georgia-Pacific* case is instructive. *See Georgia-Pacific Corp. v. U.S.*
10 *Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970). The *Georgia-Pacific* court did not admit
11 evidence regarding plaintiffs’ financial arrangements with a third party as evidence of a
12 reasonable royalty, because the “evidence [did] not significantly tend to indicate the amount of a
13 reasonable royalty in the present situation.” *Id.* at 1137. Similar to the differences between
14 Oracle’s Partners and SAP TN, the Court found that “the circumstances and arrangements
15 between [the third party and plaintiff] were basically different from those that would be
16 applicable to the negotiation of a reasonable royalty between two keen competitors like [plaintiff
17 and defendant].” *Id.* The Court held that the “surface similarities” were outweighed by the
18 dissimilarities and therefore the relevance of the third party evidence was “superficial,
19 inconclusive and not persuasive.” *Id.* at 1140.

20 So it should be here. The surface similarities between two companies, like
21 Oracle’s Partner CedarCrestone and SAP TN, which both provide some support for Oracle’s
22 software, are vastly outweighed by the dissimilarities, including that CedarCrestone’s Partner
23 agreement prohibits it from doing any of the infringing acts that SAP TN requires to support its
24 customers. *See* Prince Decl., ¶¶2-3; *see also* Kelly Decl., ¶¶3-5. Indeed, SAP TN broadly
25 leveraged Oracle’s intellectual property across Oracle’s customer base to compete directly
26 against Oracle at discounted prices for the purpose of harming Oracle’s service business and
27 driving Oracle applications customers to switch to the products of Oracle’s largest business
28 applications software competitor. *See, e.g.,* TAC, ¶¶15-18; *see also* Howard Decl., ¶¶6-8. Simply

1 put, the royalty that would be reached between “keen competitors” like Oracle and SAP that
2 would allow SAP’s service subsidiary to use Oracle applications and service support intellectual
3 property to aggressively compete against Oracle for applications customers and market share has
4 nothing in common with any agreement Oracle has with any business Partner. *Georgia-Pacific*,
5 318 F. Supp. at 1137.

6 Defendants’ case law does not support a different result. Most of Defendants’
7 case citations are simply general recitations of the law regarding a reasonable royalty. *See*
8 Motion to Compel at 8:26-9:11. The two cases they claim support the argument that their
9 Partner discovery is relevant to a reasonable royalty calculation – *United States v. King Features*
10 *Entm’t, Inc.*, 843 F.2d 394 (9th Cir. 1988) and *Eales v. Envtl. Lifestyles, Inc.*, 958 F.2d 876, 880
11 (9th Cir. 1992) – do not.

12 Defendants cite *King Features* as a case where the “Ninth Circuit has upheld
13 royalty awards based on license agreement with third parties for a similar use.” Motion to
14 Compel at 9:11-14. That is both wrong and inapposite. First, it is wrong, because the Ninth
15 Circuit did not uphold the award in *King Features* – it reversed the district court’s damage
16 award. *See King Features*, 843 F.2d at 400. The district court had concluded that the
17 defendants’ contract with the buyer was “prima facie evidence of what a willing buyer would
18 have been reasonably required to pay a willing seller for the cartoons.” *Id.* The Ninth Circuit
19 reversed the award, finding that the district had not properly analyzed damages, and remanding
20 “for a determination of [plaintiff’s] actual damages, if any, from the copyright infringement.” *Id.*

21 Putting that aside, the reversed district court award in *King Features* would at
22 most stand for the unremarkable proposition that if there is a contract directly on point, it can be
23 prima facie evidence of damages. *See King Features*, 843 F.2d 394 (9th Cir. 1988). Oracle
24 does not dispute that proposition – only its application here. In *King Features*, the defendant
25 licensed cartoons from the plaintiff, then negotiated a contract to deliver those cartoons to a
26 buyer (which Defendants label as a “third party”), to whom the plaintiff also had tried licensing
27 the same cartoons for the same use. *See id.* at 396. Under those circumstances, the contract
28 could understandably be viewed as prima facie evidence of what the plaintiff would have

1 received under a similar contract. *Id.* at 400. In contrast, Oracle’s licenses with its Partners do
2 not contemplate any “similar use” to SAP TN’s use of copyright infringement and computer
3 fraud to compete against Oracle, as Defendants claim. Motion to Compel at 9:12; *see also*
4 Prince Decl., ¶¶2-3; *see also* Kelly Decl., ¶¶3-5. *King Features* is at-best inapposite.

5 The holding in *Eales* also has no relevance to the facts here. The *Eales* Court
6 held that a plaintiff’s proven standard fee to license a copyrighted work may be used to establish
7 a reasonable royalty. *See Eales*, 958 F.2d at 880. In *Eales*, the fair market value was “Eale’s
8 ordinary fee,” a simple calculation of the plaintiff’s fees per square foot multiplied by the square
9 footage of the house in dispute. *Id.* at n.3. In contrast, there is no “ordinary” fee Oracle charges
10 third party competitors like SAP TN who want to license and leverage Oracle’s intellectual
11 property to drive a wedge between Oracle and its customer base. *See* Kelly Decl., ¶¶3-5. No
12 amount of discovery of Oracle’s Partners would help establish such a fee.

13 In sum, the law and the facts do not support ordering any Partner-related
14 discovery from Oracle based on the relevance of such discovery to establishing the value of
15 licensing what Oracle’s competitors stole for the purpose of decimating Oracle’s customer base
16 and halting any traction gained from Oracle’s acquisitions. Defendants again do not, and cannot,
17 so justify their request.

18 **2. Partner Discovery Is Not Relevant To Show Causation** 19 **Of Damages**

20 Defendants’ next argument – recycled from their motion a year ago – is that
21 Oracle’s Partner relationships are relevant to causation of damages because customers may have
22 gone to Oracle’s Partners for service rather than SAP TN, so Defendants didn’t cause Oracle’s
23 harm. *See* Motion to Compel at 10 (“Oracle’s customer attrition...may have been inevitable.”).
24 Defendants presented this same argument to Judge Legge a year ago, and he rejected it. *See*
25 Alinder Decl., Ex. 1 at 6; *see also* McDonell Decl., Ex. 11 at 7:15-16. When Defendants
26 previewed this argument at the last discovery conference the Court rightly deemed it “far[]
27 fetched.” *See* Alinder Decl., Ex. 6 at 54:22.

28 Oracle has already explained how the independent, highly discounted competing

1 third party service by SAP TN differed from the limited service provided by Oracle’s licensed
2 service Partners. *See* Kelly Decl., ¶¶2-6.⁴ Moreover, Defendants only speculate as to whether
3 any of their customers would have chosen a different third party service provider if SAP TN had
4 not been able to provide their illegal cut-rate support. Defendants’ speculation is insufficient to
5 support the broad and irrelevant Partner discovery they propose here. *See Food Lion*, 103 F.3d
6 at 1012-13 (party may not “explore matter which does not presently appear germane on the
7 theory that it might conceivably become so.”). The existence and scope of services of true
8 independent third party alternatives to SAP TN and what impact on customer choices that
9 availability might have made can only be tested by asking customers or those third parties; those
10 subjects simply will not be illuminated by discovery into Oracle’s Partner programs.

11 In addition, Defendants cite no legal support for the argument – and Oracle is
12 aware of none – that Defendants can deduct what they speculate could be “inevitable” losses
13 from the calculation of copyright damages. Under 17 U.S.C. § 504(a), a party suing for
14 copyright infringement may elect either statutory damages, § 504(a)(2), or “the copyright
15 owner’s actual damages and any additional profits of the infringer.” 17 U.S.C. § 504(a)(1).
16 Here, Oracle has claimed actual damages and the infringer’s profits. Nowhere in § 504(b) is an
17 infringer presented with the opportunity to reduce damages by a showing of the copyright
18 holder’s inevitable losses. Indeed, in *Telecom Technical Servs. Inc. v. Rolm Co.*, 388 F.3d 820
19 (11th Cir. 2004), the Court rejected a similar argument to reduce damages, holding that an award
20 of damages based on infringer’s profits was unaffected by a showing of the copyright holder’s
21 sales or losses. *See id.* at 830. Defendants’ speculation that customers would have left Oracle
22 regardless of their unlawful acts is not a defense to any of the claims here. Even if it were a
23 defense, the subject has no relevance to Oracle Partners, who pay Oracle for the right to assist in
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26 ⁴ Further, Defendants’ citation to an Oracle document, discussing renewal rates being
27 similar to historical rates despite the threat from third party support providers undermines
28 Defendants’ claims that Partner availability may have driven customers away from Oracle, but
for SAP TN. *See* Motion to Compel at 10:11-23

1 providing limited services to shared customers.⁵

2 **D. Any Relevance Is Far Outweighed By The Burden**

3 Defendants' final argument is that the "narrowly tailored" requested Partner
4 discovery imposes a "minimal burden" on Oracle. Motion to Compel at 11. Neither claim is
5 remotely true. Through this motion, Defendants attempt to open a vast, new vein of discovery
6 the response to which will be incredibly burdensome. SAP has a substantial Partner network and
7 must well understand the undue burden their requests impose. *See* Alinder Decl., ¶9 & Ex. 7.

8 First, Defendants' Partner discovery includes broad-ranging document requests
9 related to what will likely be the first of many Partners that Defendants are interested in,
10 CedarCrestone. Defendants seek documents concerning:

- 11 • All Oracle's agreements with CedarCrestone, including, but not limited to,
12 documents sufficient to show what, if any, consideration CedarCrestone
13 pays to Oracle for the right to provide support services to Oracle enterprise
14 software customers.
- 15 • The nature of the services provided by CedarCrestone and the terms and
16 conditions of CedarCrestone's access to and use of Oracle Software and
17 Support Materials.
- 18 • Any customer profile identified by Oracle that is a candidate to receive
19 any support services from CedarCrestone, even if those services are in no
20 way analogous to those SAP TN provides.
- 21 • Any Oracle customers receiving support services for Oracle enterprise
22 software from CedarCrestone, again, without regard to the relevance of the
23 services or whether the customer was ever a SAP TN customer.

24 *See* Motion to Compel at 2:13-21. CedarCrestone itself detailed the large volume of responsive

25 ⁵ Though some of Defendants' arguments hint otherwise, Defendants appear to have
26 abandoned their argument that Oracle's behavior toward other third party support providers
27 could support an estoppel, abandonment or waiver defense. That retreat is not surprising as
28 those arguments all fail as a matter of law. *See, e.g., Paramount Pictures Corp. v. Carol Publishing Group*, 11 F. Supp. 2d 329, 337 (S.D.N.Y. 1998) ("Extending the doctrine of estoppel so that a defendant may rely on a plaintiff's conduct toward another party is both unsupported by law and pernicious as a matter of policy."); *see also Capitol Records, Inc. v. Naxos of America, Inc.*, 372 F.3d 471, 484 (2d Cir. 2004) ("[F]ailure to pursue third-party infringers has regularly been rejected as a defense to copyright infringement or as an indication of abandonment."); *Novell, Inc. v. Weird Stuff, Inc.*, 0094 WL 16458729, n. 15 & 17 (N.D. Cal. 1993) (holding acquiescence/estoppel theory as to third parties not a defense to copyright infringement).

1 material and the burden of its production when it objected to Defendants’ subpoena requesting it.
2 *See* McDonell Decl., Ex. 15 at 1 (objecting that Defendants’ subpoena may require production of
3 “many thousands, perhaps hundreds of thousands, of documents relating to CedarCrestone’s
4 provision of services to hundreds of clients over a seven year period.”). That it would come
5 from Oracle rather than Cedar Crestone doesn’t make the production any less burdensome.
6 Indeed, it could be more so, because the production has to be culled from the vast array of other
7 Oracle Partner documents and from multiple potential custodians.

8 Second, Defendants seek a 30(b)(6) deposition on “the nature and scope” of all of
9 Oracle’s Partner programs for supporting any of Oracle’s enterprise software without limitation.
10 Motion to Compel at 2:22-23. Defendants make no attempt to tailor the scope of the requested
11 30(b)(6) deposition in any way. Indeed, Defendants describe the requested deposition as
12 punitive in nature, due to Oracle’s continued and proper objections to this irrelevant discovery.
13 *Id.* at 11:26-12:1 (“In addition, because Oracle has been unwilling to disclose the nature of its
14 partner relations, it should be required to make available a 30(b)(6) witness....”) (emphasis
15 supplied). Defendants’ proposed deposition would cover 20,000 Oracle Partners providing
16 services related to dozens of Oracle applications, middleware and database products, and
17 involving at least 19 different industries. *See* Kelly Decl., ¶2. Not surprisingly, Oracle’s
18 Partners are spread across the globe, and programs and practices overseas vary from those in the
19 U.S. *See id.*, ¶3. Defendants’ unsupported assertion that preparing Oracle witnesses to speak
20 comprehensively and knowledgeably on these vast (and irrelevant) program details “is not
21 burdensome” and that the discovery requests “are narrowly tailored” ignores the obvious.

22 Simply put, the burden of Defendants’ requests far outweighs the at-best
23 tangential relevance of the requested Partner discovery. The parties already have more than
24 enough work to do with regard to discovery that is actually relevant to this case, without having
25 to deal with the Partner discovery sideshow that Defendants seek through this recycled motion.
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27
28


1 **V. CONCLUSION**

2 Based on the foregoing, Oracle respectfully requests that the Court deny
3 Defendants' renewed motion to compel further Oracle Partner information.

4 DATED: January 23, 2009

BINGHAM McCUTCHEN LLP

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7 By: _____


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