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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) **PLAINTIFFS' OPPOSITION TO DEFENDANTS' MOTION FOR PARTIAL SUMMARY JUDGMENT REGARDING PLAINTIFFS' HYPOTHETICAL [FAIR MARKET VALUE] LICENSE DAMAGES** **[REDACTED]** Date: October 28, 2009 Time: 9:00 am Place: TBD Judge: Hon. Phyllis J. Hamilton

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I. INTRODUCTION

Defendants' motion fails for a multitude of reasons, each of which is independently sufficient to deny it:

- Ninth Circuit law allows a victim of infringement to present damages evidence based on a variety of analyses, including a fair market value fee for the rights misappropriated based on a hypothetical license. That has been clear Ninth Circuit law for over thirty years and is embodied in the Ninth Circuit's Model Jury Instructions.
- Defendants' contention that Oracle must prove the parties would have successfully negotiated a license is not the law. The fair market value license fee measure of damages is an objective test of what a willing buyer would have been reasonably required to pay a willing seller for the stolen work. That is a jury issue bounded only by the limits of undue speculation and plaintiff's evidence. Indeed, the law favors the victim in this analysis.
- The parties' status as competitors and the absence of prior license grants of the rights infringed by plaintiff does not bar use of a fair market value license fee damages analysis. Rather, those facts tend to increase the level of damages. Moreover, Defendants' assertion that the parties would never agree is belied by the fact that Oracle and SAP have successfully negotiated a significant ongoing license that allows SAP to compete with Oracle in selling Oracle's database products.
- The fair market value license fee measure of damages involves consideration of a large number of factors, one of which is the cost and risk avoided by the defendant who misappropriates works, rather than develop them at its own expense. Defendants' motion also improperly seeks to limit consideration of this factor in the analysis.
- The entire damages exercise is heavily fact-driven. In countless ways Defendants' motion raises disputed issues that prevent summary disposition.
- The motion is premature. Oracle's damages expert is still receiving evidence,

considering it and will render his opinion, based on a fair market value measure of damages and other measures, in his November 16, 2009 report. A part of Oracle's opposition is its expert's declaration describing his work to date, which among other things highlights the factual nature of the damages inquiry.

Based on the clear Ninth Circuit law and the overwhelming factual issues raised by Defendants' untimely motion, the Court should deny the motion.

II. ORACLE MAY PRESENT A CLAIM FOR THE FAIR MARKET VALUE OF THE INFRINGED WORKS

A. The Ninth Circuit Endorses A Fair Market Value Retroactive License Fee As One Measure Of Copyright Damages

A copyright owner whose exclusive rights are infringed may seek its actual damages. *See* 17 U.S.C. § 504(b). While lost profits can be one measure of actual damages, the Ninth Circuit law that Defendants themselves cite confirms that Oracle alternatively may pursue, as actual copyright infringement damages, the fair market value of the Oracle copyrights that Defendants infringed at the time they infringed. Indeed, this has been the law of this Circuit for more than thirty years. *See* Defendants' Motion for Partial Summary Judgment Regarding Plaintiffs' Hypothetical License Damages Claim ("MSJ") at 7:9-24, citing *Polar Bear Prods., Inc. v. Timex Corp.*, 384 F.3d 700, 708 (9th Cir. 2004) (confirming "the value of use of the copyrighted work to the infringer" as among the actual damages available and upholding jury award of license where plaintiff's expert provided credible evidence in support of awarded amount); *Jarvis v. K2 Inc.*, 486 F.3d 526, 533 (9th Cir. 2007) (noting the Ninth Circuit's history of allowing fair market value of license amount as damages for copyright infringement "in situations where the infringer *could* [not "would"] have bargained with the copyright owner to purchase the right to use the work" and noting that the test is "'what a willing buyer would have been reasonably required to pay to a willing seller for plaintiff's work'" (quoting *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 512 (9th Cir. 1985), *aff'd in part, rev'd in part*, 886 F.2d 1545 (9th. 1989)) (emphasis supplied)); *Frank Music Corp.*, 772 F.2d at 513 (further noting that the Ninth Circuit test under *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977) "seeks to approximate what a reasonable market price would have been at the time of the infringement"); *Mackie v. Rieser*, 296 F.3d 909, 917 (9th Cir. 2002) (quoting and citing *Frank Music Corp.*, 772 F.2d at 512 and *Sid & Marty-Krofft Television Prods, Inc.*, 562 F.2d at 1174) (quotations and citations omitted):

> We have previously defined the phrase "actual damages" as the extent to which the market value of a copyrighted work has been injured or destroyed by an infringement. determine the work's "market value" at the time of the infringement, we have endorsed a hypothetical approach: what a willing buyer would have been reasonably required to pay a willing seller for [the owner's] work.

See also Ninth Circuit Model Civil Jury Instruction 17.23 (Copyright Damages - Actual Damages) (2007) ("The reduction of the fair market value of the copyrighted work is the amount a willing buyer would have been reasonably required to pay a willing seller at the time of the infringement for the actual use made by the defendant of the plaintiff's work."). The fair market value of the rights infringed is likewise endorsed as a measure of actual copyright damages by other Circuits. *See* n. 3 below.

The fair market value license form of actual damages makes good sense: where an infringer takes for free what it would have otherwise had to license from the copyright owner, the infringer has deprived the copyright owner of the licensing fee the owner would have been entitled to charge the infringer; the fair license fee approximates the value of the theft. *See Frank Music*, 772 F.2d at 513 (market value license approach "seeks to approximate what a reasonable market price would have been at the time of the infringement"); *see also On Davis v. The Gap*, 246 F.3d 152, 166 (2d Cir. 2001) ("[T]he defendant has surreptitiously taken a valuable right, for which plaintiff could have charged a reasonable fee. Plaintiff's revenue is thus smaller than it would have been if defendant had paid for what he took. . . .").[1]

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[1] SAP's attempt to use causation to deny Oracle the right to seek fair market value damages, MSJ at 8:11-9:7, is unsupported and illogical. An infringer who takes for free what it otherwise would have had to pay for automatically deprives the copyright owner of the fair market value of the rights the infringer misappropriated. That loss occurs at the time of infringement, and all that remains is valuation. *See Polar Bear*, 384 F.3d at 709 (infringer must pay fair market value of rights it misappropriated, as determined by the jury). Moreover, the cases SAP relies on to suggest an additional burden of showing causation impose none here. *Jarvis* does not mention, much less impose, any such requirement in its discussion of fair market value damages. *See*

(Footnote Continued on Next Page.)

B. Oracle Need Not Establish A Precise Value For The Rights Infringed

Oracle is not required to establish fair market value with precision. Rather, it need only present evidence sufficient to allow the jury to assess fair market value without "undue speculation." *Polar Bear*, 384 F.3d at 709 (infringer must accept jury's determination of fair market value "unless it exceeds the range of the reasonable market value"); *see McRoberts Software, Inc. v. Media 100, Inc.*, 329 F.3d 557, 567 (7th Cir. 2003) (copyright owner "was not required to establish the actual value [of rights infringed]; it was required only to provide sufficient evidence of the value so that the jury did not have to resort to undue speculation in estimating actual damages."). The Second Circuit has stressed the need to "favor victims of [copyright] infringement" in assessing awarding damages and to "broadly construe" available damages. *On Davis*, 246 F.3d at 164. It explains how this standard protects defendants while allowing plaintiffs the ability to secure payment for their valuable rights:

> We recognize that awarding the copyright owner the lost license fee can risk abuse. . . . The law therefore exacts that the amount of damages may not be based on 'undue speculation.' [Citation omitted.] *The question is not what the owner would have charged, but rather what is the fair market value*. In order to make out his claim that he has suffered actual damage because of the infringer's failure to pay the fee, the owner must show that the thing taken had a fair market value. But if the plaintiff owner has done so, and the defendant is thus protected against an unrealistically exaggerated claim, we can see little reason not to consider the market value of the uncollected license fee as an element of 'actual damages' under § 504(b).

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Jarvis, 486 F.3d at 533-35. *Polar Bear* and *Mackie* do discuss causation, but only as to infringer's profits – an altogether different measure of damages not tied to a fair market value hypothesis. *See Polar Bear*, 384 F.3d at 708, 710-11 (plaintiff can also recover infringer's direct and indirect profits as measured by "infringer's gross revenue" minus "deductible expenses and the elements of profits attributable to factors other than the copyrighted work"; causation is a particular issue for infringer's profits "because the amount of profits attributable to the infringement in an indirect profits case is not always clear [so] 'we have held that a copyright holder must establish the existence of a causal link before indirect profits damages can be recovered'") (citing *Mackie*, 296 F.3d at 914). The portion of *Frank Music* SAP cites does not even mention causation, and that case imposes no addition causation burden either. *See Frank Music*, 772 F.2d at 514 n.8. *Harper & Row* considers causation only in the context of fair use analysis (certainly not at issue here) and rejects the Court of Appeals' unduly restrictive causation requirement. *See Harper & Row v. Nation Enters.*, 471 U.S. 539, 567 (1985).

On Davis, 246 F.3d at 166 (emphasis added). As shown below, Oracle's fair market value analysis will meet this standard.

C. Oracle Need Not Prove That It and SAP Would Have Successfully Negotiated A License

Defendants' entire motion rests on the false premise that Oracle must show it would have licensed SAP to use the copyrights it infringed – and that Defendants would have agreed to the terms. MSJ at 7:5-7, 9:11-13, 9:27-10:2, & 11:7-11. Besides being wrong on the law, arguing that summary judgment should be granted because the parties undoubtedly will disagree at trial about the appropriate terms and amounts of the fair market value license inverts the summary judgment standard requiring no material factual dispute. *See* Section II.G below. Moreover, to adopt SAP's argument would remove protection from the very class of plaintiffs – competitors – most vulnerable to infringement.

The Copyright Act nowhere excludes competitors from those who can seek approved forms of actual damages. Instead, it provides the same measures of damages for all copyright owners, whether they compete with an infringer or not, and whether they have licensed their work or not. *See* 17 U.S.C. § 504(b). The Ninth Circuit also does not remotely restrict those who can seek actual damages in the form of a reasonable license fee to non-competitors, including in the two Ninth Circuit cases – *Polar Bear* and *Frank Music* – Defendants cite in support.[2] Indeed, the Ninth Circuit's "market value approach is an objective, not a subjective, analysis." *Mackie*, 296 F.3d 917. Thus, any purportedly unreasonable or unsupported opinion of any Oracle executive – or of any SAP executive – about what the license amount should be "has no place in this calculus." *Id.* (upholding trial court's rejection of plaintiff's 'hurt feelings' over the nature of the infringement as relevant to determining the market value of the license that

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[2] Page 711 of *Polar Bear*, which Defendants cite as purported support at MSJ 9:13, deals only with the infringer's profits form of damages and says nothing about the requirements for the lost license fee alternative measure of actual damages. Defendants' only other Ninth Circuit cites, MSJ 10:1 (citing *Polar Bear*, 384 F.3d at 708 and *Frank Music*, 772 F.2d at 514), do not expressly or impliedly say anything restricting reasonable license fee damages to non-competitors.

reasonably should have been paid by defendant for its use of the work it infringed).

Courts in other Circuits confirm the test is objective and why. The Second Circuit explains:

> [W]hether the infringer might in fact have negotiated with the owner or purchased at the owner's price is irrelevant to the purpose of the test. . . . The hypothesis of a negotiation between a willing buyer and a willing seller simply seeks to determine the fair market value of a valuable right that the infringer has illegally taken from the owner. The usefulness of the test does not depend on whether the copyright infringer was in fact himself willing to negotiate for a license. The honest purchaser is hypothesized solely as a tool for determining the fair market value of what was illegally taken.

On Davis, 246 F.3d at 171-172 (quoting II Paul Goldstein, *Copyright* § 12.1.1.1, at 12:13 (2d. ed. 2000).[3]

Indeed, courts faced with infringement claims between competitors have allowed them, and have found that the competitive relationship between the owner and infringer may *enhance* the fair market value of the license. *See Getaped*, 188 F.Supp.2d at 405-06 (reversing damages award because copyright owner "would not be willing to let a direct competitor use an exact duplicate of its site for such a small fee"); *see also Deltak, Inc. v. Advanced Systems, Inc.*,

[3] SAP relies heavily on the Second Circuit's decision in *Business Trends Analysts, Inc. v. Freedonia Group, Inc.*, 887 F.2d 399 (2d Cir. 1989), to support its hypothesis that competitors are ineligible for fair market value as a measure of actual copyright infringement damages. But *Business Trends* focused on the infringers' profits measure of copyright damages. *Id.* at 405. Moreover, as set forth above, the Second Circuit later expressly adopted "the fair market value of a license covering the defendant's infringing use" as a measure of actual damages for copyright infringement. *On Davis*, 246 F.3d at 172. That holding has been applied to competitors and non-competitors alike. *See Getaped.com, Inc. v. Cangemi*, 188 F. Supp. 2d 398, 404-06 (S.D.N.Y. 2002) ("[P]ermitting recovery of a reasonable license fee is appropriate even where plaintiff cannot show that defendant would have been willing to negotiate a license to use plaintiff's copyrighted work, or where the plaintiff cannot plausibly argue that it would have been willing to license defendant's use."). The Seventh Circuit likewise has held that the defendant's estimation of plaintiff's subjective "interest or ability" in connection with the hypothesized license "is irrelevant" because defendant "infringed [plaintiff's] copyright . . . without permission from [plaintiff] and [plaintiff] may lawfully seek damages resulting from this infringement." *McRoberts Software*, 329 F.3d at 567. First Circuit courts also use the Ninth Circuit's objective value of use test. *See, e.g., Steven Greenberg Photography v. Matt Garrett's of Brockton,, Inc.*, 816 F. Supp. 46, 49 (D. Mass 1992).

767 F.2d 357, 358, 361 (7th Cir. 1985) (in case involving direct competitors, endorsed a "value of use" measure "equal to the acquisition cost saved by infringement instead of purchase"); *McRoberts*, 329 F.3d at 567 (affirming actual damages award against competing supplier of character generation software based on fair market value of misappropriated work).

Given this clear law, the fact that Oracle's executives and SAP's executives have attested in deposition to different views on the value of a potential license[4] for what Defendants infringed does not somehow remove a market value license from the basket of available damages. Indeed, their material and significant disputes bar summary judgment. *See* Section II.G. below. Moreover, if Defendants were right, then *every* contested license damages amount would be thrown out, and the infringers most benefited from taking – competitors – would be able to escape paying their victims what the market dictates they should. The Ninth Circuit has rejected such a result:

> Having taken the copyrighted material, [Defendant] is in no better position to haggle over the license fee than an ordinary thief and must accept the jury's valuation unless it exceeds the range of the reasonable market value.

Polar Bear, 384 F.3d at 709.[5] Oracle's license valuation at trial will rely on relevant facts and will not exceed a reasonable fair market value. *See* Section II.F below. The Court should reject

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[4] The testimony on which SAP relies is irrelevant to the question of the reasonable market value for licenses allowing Defendants to infringe only as much, how, and as long as they actually did. Critically, no Oracle or SAP executive has yet been examined on the appropriate damages license terms in this case and resulting license amounts as those have yet to be presented by Oracle's technical and damages experts. Rather, the testimony of the Oracle executives Defendants cite was in response to their counsel's inexact queries at deposition focused on a hypothetical factual scenario for the fair market value licenses that bears little relation to the relevant facts and to what Oracle's damages expert will rely on for his valuation analysis. *See* Section II.F.3 below.

[5] Note, however, that the Ninth Circuit explicitly endorses Oracle's damages expert's consideration of reasonable, relevant evidence from the parties when arriving at the fair market value of the license damages award. *See Polar Bear*, 384 F.3d at 709 ("Common sense dictates that an expert may confer with the copyright holder and that the background data may be factored into calculations of actual damages."); *Frank Music*, 772 F.2d 514 ("'*Credible* testimony by the owner . . . regarding its value can provide an adequate evidentiary basis for an award of damages'") (emphasis supplied; quoting *Runge v. Lee*, 441 F.2d 579, 582 (9th Cir.), *cert denied*, 404 U.S. 887 (1971)). *See also Getaped*, 188 F. Supp. 2d at 406 (rejecting inappropriately low licensing fee because "[plaintiff] would not be willing to let a direct competitor use an exact duplicate of its site for such a small fee").

Defendants' efforts to avoid jury consideration of it – especially now, before the analysis is even completed and presented in an expert report. *See* Section II.G below.

D. The Absence Of A Prior License Does Not Preclude Fair Market Value License Fees As Actual Damages

As an apparent fallback to its argument that Oracle cannot seek license damages from its competitor, SAP implies that Oracle cannot seek license damages because it has never before licensed what Defendants infringed. Although SAP devotes considerable attention to cases where reasonable license fees were awarded to owners who had previously licensed what the defendant infringed (MSJ at 14:7-16:19), it cites no authority – let alone Ninth Circuit authority – that requires Oracle previously to have licensed the intellectual property Defendants took in order to seek a reasonable fair market value license fee for that infringement. Indeed, under the law, the right *not* to license is as important as the right to license. *See, e.g., Stewart v. Abend* , 495 U.S. 207, 228-29 (1990) ("this Court has held that a copyright owner has the capacity arbitrarily to refuse to license one who seeks to exploit the work."); *Schnapper v. Foley*, 667 F.2d 102, 114 (D.C. Cir. 1981) (except for limited instances not relevant here, Copyright Act gives "copyright holder the liberty not to license rights in his work"). It defies logic that exercising the right to *not* license could be used to deny an otherwise legitimate measure of recovery.

Moreover, under the seminal case on the factors relevant to determining a reasonable royalty amount for patent infringement, the fact Oracle *does not* license the infringed material actually supports a *higher* license fee. *See, e.g., Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970)*, modified and aff'd*, 446 F.2d 295 (2d Cir. 1971), *cert. denied*, 404 U.S. 870 (1971) (Factor 4 considers "The licensor's established policy and marketing program to maintain his patent monopoly by not licensing others to use the invention or by granting licenses under special conditions designed to preserve that monopoly."); *see also Medtronic Sofamor Danek USA, Inc. v. Globus Medical, Inc.*, 2009 U.S. Dist. LEXIS 61332 at *58 (E.D. Pa. July 16, 2009) (plaintiff's policy of refusing to license what was taken "weighs in favor of a higher royalty rate"); *Rosco, Inc. v. Mirror Lite Co*., 626 F. Supp.2d 319, 332 (E.D.N.Y. 2009) (same).[6]

In addition, the fair market value licensing model for copyright infringement damages applies when there are no easy benchmarks (such as licenses of the same material to the same defendant or to others). *See, e.g., On Davis*, 246 F.3d at 166 (reaching this conclusion in allowing defendant's saved costs as a measure of the fair market value of a license: "To rule that the owner's loss of the fair market value of the license fees he might have exacted of the defendant do not constitute 'actual damages' would mean in such circumstances an infringer may steal with impunity. We see no reason why this should be so."). *See also* Section II.E below.

Ultimately, SAP's suggestions that copyright owners who compete with infringers, who have not licensed their works previously, or who do not agree on the fair market value amount are ineligible for a well-established measure of damages misapprehend both the law and the purpose of the fair market value analysis. The point of that analysis is to evaluate the value of the rights that were misappropriated on an objective basis and then require the infringer to pay that fair market value. Whether or not SAP could have ever obtained those rights lawfully is irrelevant.

E. The Value SAP Gained And The Costs It Saved By Misappropriating Oracle's Copyrights Are Also Proper Measures Of Oracle's Actual Damages

SAP argues that evidence about what it saved in time and money by not having to

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[6] While these cases arose in the context of patent rights, their reasoning applies equally to copyrights. *Krofft*, 562 F.2d at 1174 n.20 (comparing value of use for copyright infringement and reasonable royalty for patent infringement); *University Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518, 535 (5th Cir. 1974) (noting patent infringement cases are used by analogy to determine the damages for copyright infringement); *see also* 4 *Nimmer on Copyright* (Matthew Bender, Rev. Ed.) ("*Nimmer*") at § 14.02[B][1] at 14-22 ("[T]he similarities between this [patent] reasonable royalty rule and . . . [the] value of use theory are apparent."); *see generally Sony Corporation of America v. Universal City Studios*, 464 U.S. 417, 435, 439 (1984) (patent law is an appropriate source of guidance for novel copyright issues). Moreover, that "copyright law does not recognize any royalty floor for recovery of compensatory damages," MSJ 10:28-11:1, is irrelevant because, as confirmed above, nothing in the Copyright Act or Ninth Circuit law precludes Oracle from seeking just such damages for Defendants' copyright infringement.

develop the massive amount of material it infringed should not be considered in the licensing amount calculus. MSJ at 16:24-20:4. SAP is wrong on the law, and its argument amounts to an improper request for an advisory opinion from this Court.[7]

The point of measuring the fair market value of any license fee is to determine the reasonable value of the rights the infringer misappropriated. *See* Section II.A above. The "value of use" to the infringer will presumably bear a relation to the fair market value of the rights. That fair market value represents the amount of money the infringer saved by not acquiring the rights legally, which equates to the amount it would have had to pay the copyright owner to acquire the rights lawfully. *See Deltak*, 767 F.2d at 361 ("the value of use. . . is not, of course, identical to the profits it generates"; instead each of the copies infringed "had a value of use to [defendant] equal to the acquisition cost saved by infringement instead of purchase, which [defendant] was then free to put to other uses.").[8]

SAP asserts that the Ninth Circuit in *Polar Bear* rejected the Seventh Circuit's

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[7] Defendants brought this motion to address the availability of the hypothetical license measure of copyright damages between competitors. MSJ at 1:28-2:9. Asking the Court to also determine the appropriateness of considering saved acquisition costs in calculating the license value is improper – particularly where those costs are the subject of another expert analysis not completed and not available for consideration. *See Coalition for a Sustainable Delta v. Koch,* 2009 U.S. Dist. LEXIS 63847 at *20-23 (E.D. Cal. July 16, 2009) (denying without prejudice motion for partial summary judgment because the inquiry did "not require application of undisputed facts established in this case to the law"); *In re Michaelson,* 511 F.2d 882, 893 (9th Cir. 1975) ("This Court does not intend to and cannot, issue an advisory opinion on a hypothetical fact situation.").

[8] The evidence will show that Defendants ultimately used TomorrowNow as a loss leader and that their forecasted profits did not therefore match the limited profits earned. *See, e.g.,* Declaration of Paul Meyer ("Meyer Decl.") at ¶44 and Exs. 55, 57, 63, 64. Restricting plaintiff's damages to defendant's profits in this situation is improper. *See* 4 *Nimmer* § 14.02 [B][1] at 14-21 (in analyzing *Deltak* acknowledging "To deny recovery because ASI's marketing campaign failed is to allow ASI to use Deltak's property risk free – if use of the infringing pamphlet fails to generate revenue by bringing over customers from Deltak then there is no cost to ASI, while if it succeed ASI risks at most disgorging its wrongful gains. Under the 1909 Act, the Supreme Court limned the inadequacies of such a weak disincentive against purloining copyrighted material: '[A] rule of liability which merely takes away the profits from an infringement would offer little discouragement to infringers. . . . Even for uninjurious and unprofitable invasions of copyright the court may, if it deems just, impose a liability within statutory limits to sanction and vindicate statutory policy.'" (*quoting F.W. Woolworth Co. v. Contemporary Arts, Inc*., 344 U.S. 228, 233 (1952)).

endorsement in *Deltak* of "saved acquisition costs" as a component of actual damages. *See* MSJ at 18:27-19:8. That is wrong. *Polar Bear* considered *Deltak* only in the context of determining the infringer's profits – a separate component of copyright damages with a completely different measurement methodology unrelated to the fair market valuation at issue in this motion. *See Polar Bear*, 384 F.3d at 715 (citing *Deltak* as example of courts' rejection of claims for infringer's profits based on enhanced goodwill); *see also* n.1 above. *Polar Bear* cites in passing and without analysis the district court decision in *Deltak* in support of the notion that recovery of indirect profits resulting from enhanced goodwill to the infringer are generally unavailable. *See id.* It does not refer to or discuss Judge Posner's decision concerning avoided costs as a measure of actual damages. *See id.* Accordingly, *Polar Bear* does not suggest, much less hold, saved acquisition costs may not be considered when setting value of use damages. To the contrary, *Polar Bear* explicitly allows Oracle to present the jury in this case with facts to "consider either a hypothetical lost license fee or the value of the infringing use to the infringer to determine actual damages, provided the amount is not based on 'undue speculation.'" *Id.*, 384 F.3d at 708-09 (quoting *McRoberts Software*, 329 F.3d at 566). As set forth below, Oracle has ample credible evidence to do so.

SAP also asserts that other courts have rejected saved acquisition costs as a component of actual copyright damages. MSJ at 17:19-18:1, 19:9-27. That is also wrong. Like *Polar Bear*, *Business Trends* considered acquisition costs only with respect to calculating infringer's profits. *See Business Trends*, 887 F.2d at 404-06. The Second Circuit has since limited the *Business Trends* holding to that issue, explaining that case does not apply to actual damages analysis. *See On Davis*, 246 F.3d at 163 ("Whatever comments we made about 'actual damages' [in *Business Trends*] were dicta."). Moreover, SAP's argument that *Deltak*'s endorsement of defendant's saved costs as a measure of value of use is "an unauthorized departure from the exclusive remedies permitted by the Copyright Act" and that Congress "left open the possibility that a plaintiff who failed to meet the standards set out for obtaining statutory damages may be foreclosed from seeking a remedy," MSJ 18:8-26, was likewise made in *Business Trends*, 887 F.2d at 406, and explicitly rejected by the Second Circuit in its subsequent *On Davis* decision. 246 F.3d at 166, 171-172.[9] In endorsing this measure of recovery, the Second Circuit stressed the need to "favor victims of [copyright] infringement" in assessing awarding damages and to "broadly construe" available damages. *Id.* at 164.

The cases Defendants cite purportedly "expressing doubt" about *Deltak*'s "saved acquisition cost" metric for value of use damages, MSJ 19:12-22, are equally outdated and factually distinguishable. *Quinn v. City of Detroit*, 23 F. Supp. 2d 741, 751 (E.D. Mich. 1998) rejected plaintiff's avoided costs analysis because of lack of evidence in support. Moreover, the only authority cited for the court's observation that *Deltak*'s rationale had been criticized was *Business Trends*; however, as explained above, that very analysis was subsequently rejected by the Second Circuit in *On Davis* (which had not been decided at the time). In *Multitherm Corp. v. Fuhr*, 1991 U.S. Dist. LEXIS 10475 at *41-42 (E.D.Pa. July 24, 1991), the parties were competitors yet the court had no problem applying the retroactive license approach or the saved costs analysis; it simply rejected it for lack of proof. It also predates *On Davis*, so its cite to *Business Trends* as the only case questioning *Deltak* is likewise moot. *Encyclopedia Brown Prods.*, 25 F. Supp. 2d 395 (S.D.N.Y. 1998), also pre-dates *On Davis*. Moreover, the court concluded *Business Trends* did not preclude the victim of infringement from seeking actual damages in the form of a reasonable license fee, *id.* at 400, and was not presented with and did not opine on the question of the validity of saved costs as an appropriate measure for that license. Finally, Defendants cite the overturned lower court opinion in the *Thoroughbred Software Int'l, Inc. v. Dice Corp.* case, MSJ 19:16-22, which itself only discusses *Business Trends*' rejection of a reasonable license fee and does not even discuss *Deltak*'s saved costs test for such a license; moreover, the Sixth Circuit opinion in the case, 488 F.3d 352, 359-360 (6th Cir. 2007), citing *On Davis*' rationale for needing to "charg[e] the illegal taker with the reasonable cost of what he took," reversed the lower court and awarded license fees for unused infringing copies even

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[9] Even *Nimmer*, whose initial analysis was the basis of the *Business Trends* analysis, recognizes this reversal of course by the Second Circuit and the rejection of the very statutory analysis Defendants reiterate here. 4 *Nimmer* § 14.02[B][3] at 14-27.

where defendant made no profit from those copies.

In reality, those courts that have considered *Deltak*'s holding in the context of actual damages have consistently followed it. *See Nucor Corp. v. Tennessee Forging Steel Service, Inc.*, 513 F.2d 151, 152-53 (8th Cir. 1975) ("The issue of whether the use of the [plaintiff's architectural] plans proximately resulted in lower manufacturing costs to the defendants was properly put to the jury on the second trial."); *Ocean Atl. Woodland Corp. v. DRH Cambridge Homes, Inc.*, 262 F. Supp. 2d 923, 928 (N.D. Ill. 2003) (finding proper infringement damages could include "either the amount [plaintiff] paid for the acquisition of the [infringed materials] in the first place . . . or the value of use or the saved acquisition cost to [defendant] and perhaps the other defendants if used by them. Value of use of infringing work in terms of saved acquisition costs amounts to no more than a determination of what a willing buyer would have been reasonably required to pay a willing seller for [the infringed materials]."); *Roeslin v. District of Columbia*, 921 F. Supp. 793, 799 (D.D.C. 1995) (allowing as measure for infringer's profits under 17 U.S.C. § 504(b) the "[c]osts that the defendant did not incur because it infringed a copyright"); *Holabird v. Physicians Management of Indiana, Inc.*, 1995 U.S. Dist. LEXIS 5442 at *8-9 (N.D. Ill. Apr. 20, 1995) ("[a]ccording to *Deltak*, the value of use to the infringer in terms of saved acquisition costs is equal (except for marginal production costs) to the copyright owner's lost profits from avoided sales to the infringer. If there is uncertainty in this calculation, the court in *Deltak* reminded the defendant infringer that it 'cannot expect to pay the same price in damages as it might have paid after freely negotiated bargaining, or there would be no reason scrupulously to obey the copyright law.' [citation omitted]"); *Northwest Airlines, Inc. v. American Airlines, Inc.*, 870 F. Supp. 1504, 1512 (D. Minn. 1994) ("[a]ctual damages and lost profits under 17 U.S.C. § 504(b) can be demonstrated in several ways, but all require that the copyright owner show either that it suffered a loss or that the infringer gained some benefit.").

As much as SAP would like to avoid having Oracle's damages expert and the jury consider the fair market value of the benefits SAP gained in not having to take the time to locate and spend the resources to develop the voluminous materials Defendants took from Oracle, there is no authority that precludes such evidence. To the contrary, there is ample authority recognizing its relevance to the fair market value calculus. The Court should reject SAP's efforts to avoid a full and fair accounting of Oracle's damages.

F. Oracle Will Present Evidence To Establish The Fair Market Value Of The Copyrights SAP Infringed And The Value Of Them To SAP

1. Oracle's Expert Will Use Established Valuation Methodology Based on Accepted Metrics

As he is creating and finalizing the portions of his damages analysis setting forth the reasonable license fees for Defendants' infringement of Oracle's PeopleSoft, J.D. Edwards, Siebel and database-related copyrights, Oracle's damages expert is arriving at the fair market value for such licenses using accepted principles of intellectual property valuation as well as the guidance of relevant legal authorities and treatises. Meyer Decl. ¶¶ 9-13. There are well-established, and widely accepted techniques for the valuation of intangible assets, including intellectual property: Cost Approach, Market Approach and Income Approach.[10] The Cost Approach measures the market value of intellectual property based on the cost to replace the future service capability; the Cost Approach does not directly consider the future economic benefits of the assets. Smith & Parr, *IP Valuation, Exploitation, and Infringement Damages* at 156. The Market Approach involves determining the fair market value of intellectual property based upon what others have agreed upon in recent sales, licenses or other comparable arm's length transactions related to similar assets. *Id.* at 169. Using the Income Approach, the market value of the intellectual property is determined based on the value of the future economic benefits that are expected to be generated by the asset. *Id.* at 185. The Relief-from-Royalty Approach is a variation of the Income Approach. Using this approach, intellectual property is valued based on the present value of the royalties that the property owner is relieved from paying as a result of owning the asset. *Id.* at 194. In the valuation of intellectual property, it is common to analyze the fair market value using a combination of these valuation approaches. *Id.* at 155;

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[10] *See* G. Smith and R. Parr, *Intellectual Property Valuation, Exploitation, and Infringement Damages* (2005 Ed.) ("Smith & Parr, *IP Valuation, Exploitation, and Infringement Damages*") at 148-154.

Meyer Decl. ¶11.

Oracle's damages expert has done exactly this type of valuation in many other cases. The methodology employed and the factors he will consider have been accepted by the courts, including to determine the fair market value for copyright licenses. Meyer Decl. ¶13.

As set forth in more detail below, in arriving at his fair market value figures, Oracle's damages expert is considering, among other things, evidence on the nature, scope, terms and duration of the licenses at issue based on what Defendants actually did, any existing relevant benchmark license fees including what Defendants have paid to license or acquire comparable material, that Oracle doesn't license the infringed material to others to use in competition against it, but keeps it exclusive for its own proprietary use, the fact that Oracle and SAP are fierce competitors in the area in which the infringed material was used, the importance of the infringed material to the parties' anticipated financial success, sales and profits at the time of infringement, the utility and benefit to Defendants of the infringed material, and the costs they avoided by infringement. *See* Meyer Decl. ¶¶16-47.

These are the very factors courts routinely consider in setting reasonable license fees for infringed material – be it copyright or patent infringement. *See, e.g., Georgia-Pacific*, 318 F. Supp. at 1120 (listing these among the "comprehensive list of evidentiary facts relevant, in general, to the determination of the amount of a reasonable royalty for a patent license . . . drawn from a conspectus of the [then] leading cases."); *Polar Bear*, 384 F.3d at 708, 709 (endorsing, *e.g.*, consideration of "the value of the infringing use to the [copyright] infringer to determine actual damages" and expert's consultation with plaintiff's principals in arriving at reasonable license fee); *Jarvis*, 486 F.3d at 534 (citing with approval court's consideration of plaintiff's damages expert's analysis, defendant's assessment of worth of copyright, and prior compensation for comparable works); *On Davis*, 246 F.3d at 166 n.5, 167-69 (considering actual use made by infringer of copyrighted material and endorsing importance of broad view of actual damages to allow for fair market value and listing cases considering customary or established license rates, prior agreement of the parties, nature and extent of use, term of license); *McRoberts Software*, 329 F.3d at 566-67 (endorsing consideration of how much it cost for another to develop comparable source code, defendant's entry into several multi-million dollar software deals of comparable import, relevant market shares, nature and extent of actual use of infringed copyrights, prior benchmark licensing agreements of the parties with others, relevant actual and projected sales); *Bruce v. Weekly World News, Inc.*, 310 F.3d 25, 29-30 (1st Cir. 2002) ("[p]roof of industry practice inarguably is crucial to the estimation of actual damages"); *Deltak*, 767 F.2d at 361 (endorsing consideration of cost defendant avoided by infringing copyrights rather than independently developing what it infringed); *Getaped*, 188 F.Supp.2d at 404, 406 (recognizing the value of [the] copyrighted work" can lie "in its tendency to promote the sales of other products" and that fact that use is by competitor should yield higher license fee); *Fournier v. McCann Erikson*, 242 F. Supp. 2d 318, 337 (S.D.N.Y. 2003) (endorsing consideration of licenses for comparable copyrighted works, customary licensing practices in the industry, prior negotiations between the parties); *Marobie-Fl v. Nat'l Ass'n of Fire Equip. Distribs.*, 2002 U.S. Dist. LEXIS 2350 at *5-7 (N.D. Ill. Feb. 2, 2002) (endorsing as relevant evidence the nature and extent of use of copyrighted relevant works by defendant, market practices regarding accessibility and lack of charge for such works, and the commercial relationship between parties); *Thorton v. J Jargon Co.*, 580 F. Supp. 2d 1261, 1276 (M.D. Fla. 2008) (endorsing "evidence of benchmark licenses, that is, what licensors have paid for the use of similar work."); *see also* 4 *Nimmer* § 14.02[A][3] at 14-19 & 14-20 (In arriving at copyright damages, "the courts make the best possible appraisal of the value, looking if necessary to such additional factors as inherent value of the work and utility value" and "special value of the work to the plaintiff.").

2. Oracle's Damages Expert Has Ample Relevant and Credible Evidence To Support Significant License Fees

Oracle's damages expert has ample credible evidence to support the significant amounts Oracle will claim as fair market value license fees for the Oracle software infringed by Defendants and that Oracle is seeking, and Oracle will provide him additional evidence relevant to valuing the Siebel and database fair market value licenses. While that analysis is incomplete, and amounts of the licenses have not yet been determined, Oracle's damages expert has already spent considerable time and effort amassing and considering this relevant evidence. *See* Meyer

Decl. ¶¶16-47. For instance:

- Oracle's damages expert will determine the scope, terms and duration of Defendants' actual uses of the infringed PeopleSoft, J.D. Edwards, Siebel and database software by reference, in part, to the expert reports and conclusions of Oracle's technical experts. Meyer Decl. ¶19. At this point, the best proxy for that evidence is found in Oracle's detailed and lengthy Fourth Amended Complaint. *See, e.g.,* Fourth Amended Complaint for Damages and Injunctive Relief (Docket No. 418) at pages 6-8, 14-15 .[11]

- Oracle's damages expert will rely on the fact that Oracle spent billions of dollars acquiring the companies whose copyrighted materials Defendants so widely infringed. Meyer Decl. ¶¶25, 34. Specifically, Oracle paid $11.1 billion for PeopleSoft – an acquisition that Oracle publically kicked off *the day before* Oracle's "hypothetical" license with SAP, its largest rival for the very business of the customers Oracle just acquired, would have begun. *See id.* at Exs. 9, 15-16, 53. Oracle acquired Siebel in January 2006 for $6.1 billion. *Id.* at Exs. 17-18.

- Oracle's expert will also rely on evidence of Oracle's multi-billion dollar service and sales forecasts for the PeopleSoft and Siebel customer bases it was acquiring, as well as the customer retention assumptions before SAP's interference through TomorrowNow. Meyer Decl. ¶34, Exs. 29, 30.

- Oracle's damages expert will also consider evidence from both Oracle and SAP on their revenue growth history and expectations for support customers. *See, e.g.,* Meyer Decl. ¶¶30, 34-35 and Exs. 18, 22, 26- 30, 35-37.

- Oracle's expert will also consider the valuations by Oracle of the PeopleSoft and Siebel tangible and intangible assets acquired. Meyer Decl. ¶34. For instance, the PeopleSoft intangible assets (which included goodwill, technology, maintenance contracts and customer relationships) were valued at $9.9 billion. *Id.* & Exs. 15-16. Similarly, $4.1 billion of the purchase price for Siebel was attributed to intangible assets that included goodwill and the customer relationships and ongoing agreements. *Id.* & Exs. 17-18.

- Oracle's damages expert will also rely on Oracle's significant investment in research and development of the copyrighted materials at issue, as well as historical research and development investments made by PeopleSoft and Siebel prior to their acquisitions by Oracle. Meyer Decl. ¶34. For example, between 2001 and 2003 PeopleSoft's annual research and development investments ranged from $299 million to $433 million. *Id.* at Ex. 31. Similarly, Siebel's research and development investments for 2002 through 2004 ranged from $299 million to $368 million. *Id.* at Ex. 32. And, post-acquisition, Oracle itself invested hundreds of millions in the acquired products and support materials that Defendants infringed. *Id.* at Ex. 33.

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[11] For purposes of this motion, Defendants are not challenging their actual infringement, so Oracle has not submitted the voluminous evidence and admissions of that here.

- Insofar as Oracle presents other expert analysis of how much Defendants would have had to spend to independently develop what they infringed, and how much time was saved by infringing rather than developing, Oracle's damages expert will also consider that. Meyer Decl. ¶46. Oracle's damages expert will also consider the evidence on what portions of the infringed materials Defendants could not have developed independently, and what they could have done through non-infringing work-arounds. *Id.*

- Oracle's damages expert will also rely on the almost billion dollar forecast of service and sales revenues SAP calculated in connection with its acquisition of TomorrowNow for just the first three years of ownership. Meyer Decl. ¶44, Ex. 25. He also relies on the testimony of Shai Agassi, Former SAP CTO and Executive Board Member, that, as a result of the TomorrowNow acquisition he believes SAP could have done better than 50% and could have won approximately 60% of Oracle's PeopleSoft business). *Id.* ¶ 44 at Ex. 12. *See also* Ex. 54 (SAP forecasted that TomorrowNow would be providing maintenance service to 500 customers in 2005 and up to 4,000 customers by 2009).

- Oracle's damages expert is also relying on SAP admissions of the time it saved by acquiring TomorrowNow rather than developing or acquiring an alternative means to service Oracle's acquired PeopleSoft customer base, as well as the acknowledged difficulties of an alternative solution given personnel and knowledge resources constraints for developing the ability to provide such service. Meyer Decl. ¶¶ 40e, 42, Exs. 11, 26, 47-53.

- Oracle's expert will also rely on documentary and testimonial evidence (including from SAP board members) that TomorrowNow was the cornerstone of SAP's Safe Passage sales campaign, and that TomorrowNow's 50% or less support pricing was designed to be a loss leader to drive PeopleSoft, J.D. Edwards and Siebel customers away from Oracle and into purchasing SAP applications and related support services. Meyer Decl. ¶44 at, *e.g.*, Ex. 26 (SAP's January 16, 2005 presentation titled "Safe Passage: Winning Customers and Markets from Oracle-PeopleSoft-J.D. Edwards" states: "Our goal is to convert the majority of the PeopleSoft and J.D. Edwards customer base to SAP and contain Oracle's potential growth in the next generation applications market."). *See also* Exs. 11, 13, 43, 55-59, 60, 61, 63, 64, 65.

- Oracle's expert will also consider evidence demonstrating the importance of the TomorrowNow acquisition to SAP not related to SAP's revenue, including as a public relations coup, as a disrupter of Oracle's momentum in gaining share of the applications market, as siphon off Oracle's maintenance revenue used for R&D funding, and as something that might "force Oracle to change its behavior or plans around pricing or position" and as a source of continued "Fear, Uncertainty and Doubt." *See* Meyer Decl. ¶45. Indeed the SAP board presentation recommending the TomorrowNow acquisition confirms "TomorrowNow is a strategic investment and serves as a strategic weapon against Oracle" and serves the additional benefits of taking revenue away from Oracle and creating a pre-pipeline of future SAP revenue. *Id.* at Ex.58; *see also* Exs. 7, 50, 61, 62, 67, 68, 69, 70, 72, 73 (these include contemporaneous emails and testimony of SAP board members crowing about PR benefits of acquisition of Tomorrow Now, its likely major impact on Oracle's share price and how it could adversely impact Oracle's Fusion product strategy and cause Oracle "pain").

- Oracle's damages expert will also consider SAP documents and testimony demonstrating how concerned SAP was because of Oracle's subsequent acquisition of Siebel, and how it intended to use TomorrowNow to disrupt Oracle's further momentum into the applications market. Meyer Decl. ¶45 & at Exs.27-28. For example, SAP Executive Board Member and Co-CEO Henning Kagermann testified that SAP's TomorrowNow acquisition strategy was to "interrupt Oracle's acquired maintenance income stream, making it difficult for them to invest in development of their fusion platform." *Id.* ¶45 & Ex. 7.

- Oracle's expert will also consider the testimony and documentary evidence from SAP about the grand expectations it had for TomorrowNow's service of Siebel software as an enabler for future SAP license revenue. Meyer Decl. ¶22 at Ex.14.

- Oracle's damages expert will also consider the amount SAP paid to acquire TomorrowNow (which SAP knew did not itself own any intellectual property) as well as the large amounts SAP has paid to license or acquire comparably important intellectual property. Meyer Decl. ¶40-41, Exs. 10, 42, 43, 46, 47.

- Oracle's expert will also consider the fact that Oracle has never licensed any of the material infringed to a competitor, or to anyone for use in the manner in which Defendants infringed it, and thus Oracle places high value on its proprietary rights to the infringed material. *See* Meyer Decl. ¶¶25-28.

- Oracle's expert will also question Oracle's executives in connection with the final version of the fair market "value of use" licenses – for PeopleSoft/JDE, Siebel and database – and, if relevant and substantiated, will consider that information in setting amounts for those licenses. Meyer Decl. ¶38. As set forth above, n. 5, the Ninth Circuit recognizes that it is only "common sense." *Polar Bear*, 384 F.3d at 709.

- Finally, at trial, Oracle's damages expert will also consider any relevant, reliable additional evidence SAP puts into evidence on the value of the licenses. Meyer Decl. ¶15 , fn.9.

Undoubtedly there will be additional relevant evidence Oracle's experts will consider: for instance, the Siebel and database discovery relevant to Oracle's recent amendments has only now gotten underway. *See* August 14, 2009 Order Granting Motion for Leave to File

Amended Complaint (Docket No. 414).[12] Moreover, it can be expected that Defendants will proffer different evidence or different interpretations of the evidence. Regardless, even this limited snapshot of the record confirms Oracle's license damages will have adequate factual support to be presented to the jury.

3. Testimony From Oracle Executives Supports, Not Undercuts, Oracle's Other Evidence Of Fair Market Value

SAP asks the Court to ignore all of this evidence on the theory that Oracle executives "would not have granted SAP a license because Oracle was not interested in handing over its multi-billion dollar share of the applications market, acquired after great expense and effort, to its biggest competitor" and/or that the billions Oracle would have charged for such a license "would have been 'prohibitively expensive' to SAP." MSJ at 2:13-17. Even if that testimony did establish the parties would not have been able to reach an actual agreement on a license, it would not disqualify Oracle from recovering the fair market value of the rights SAP misappropriated. *See* Section II.C, above. But the testimony SAP relies on says no such thing.

First, SAP *never asked* Oracle executives about the particular licenses that Oracle's damages expert will value here – licenses that grant rights only for the uses and duration that Defendants infringed Oracle's Peoplesoft, J.D. Edwards, Siebel and database copyrights. *See* Declaration of Tharan Greg Lanier ISO Defendants' Motion for Partial Summary Judgment Regarding Plaintiffs' Hypothetical License Damages Claim ("Lanier Decl.") at Ex. A (Catz Deposition), Ex. B (Phillips Deposition), Ex. C (Ellison Deposition). Further, none of the Oracle executives was asked about how they would value licenses for Defendants' use of Oracle's copyrighted database material that was recently added to the Fourth Amended

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[12] Other relevant evidence to the hypothetical license is also outstanding. For instance, Defendants have thus far refused production of SAP's research and development costs, which are relevant to proving their avoided costs. Further, Oracle continues to seek supplemental production of profit margins and any assignments of value per customer, which will evidence SAP's reasonable expectations as to customers they could lure away through TomorrowNow. Declaration of Holly A. House ("House Decl.") ¶2. Oracle also has recently asked for production of SAP's largest value license deals, which may provide reasonable benchmarks. *Id.*

Complaint, and only Mr. Ellison was asked about the Siebel software line (before Oracle had added those claims or served subsequent discovery) in relation to this retroactive license questioning. *See* Lanier Decl. at Exs. A, B & C. Instead, SAP asked broad questions that had no more than a superficial relationship to the corresponding licenses for Defendants' actual infringement of the PeopleSoft and J.D. Edwards copyrights. *Id.*

Second, contrary to Defendants' assertions that Oracle would not have "entertained" any licensing proposal (MSJ at 4:14-17), the testimony shows that – even on SAP's overly broad and unbounded description of the retroactive licenses at issue – Oracle would have considered licensing its intellectual property to SAP at the right price.

Specifically, Mr. Ellison testified that his understanding that the hypothetical license about which he was being questioned would be the equivalent of Oracle selling all of its applications software business to SAP and "saying goodbye to the applications business forever." Lanier Decl., Ex. C at 80:18-19; *see also* Declaration of Larry Ellison ("Ellison Decl.") at ¶¶3-4. Those are obviously not the rights that would have been licensed. However, even on that understanding, Mr. Ellison testified that Oracle *would* "have talked [with SAP] about a license agreement" and that there is "some price" at which Oracle would agree to the deal. *See* Lanier Decl., Ex. C at 75:23-24 & 80:13-14.

Ms. Catz likewise testified that her understanding of the hypothetical license she was being asked about would have been one in which Oracle gave SAP the equivalent of the whole PeopleSoft "customer base and the technology" that Oracle had fought hard and spent over 12.6 billion dollars to acquire. *Id.*, Ex. A at 159:10-23; *see also* Declaration of Safra Catz ("Catz Decl.") at ¶4. And again, even on this overbroad hypothetical, she stated that Oracle would "look at the business plan and the business deal and just have to see how much – what they're offering" and that the value of the license "would depend on how much impact it would have on the business we just spent all that money on." Lanier Decl., Ex. A at 25:1-3, 27:9-13 & 161:3-5.

The testimony of Mr. Phillips followed the same pattern. Again, SAP asked him about a broad hypothetical license of PeopleSoft materials that would be "perpetual" and would "last forever." *Id.* Ex. B at 120:3-6. And again, he testified that Oracle would analyze and model numerous factors to determine what a reasonable license value would be for that license, and would sell it "[i]f the price was right. We're businessmen; if they're willing to pay it, and we could get that money up front rather than working on it over the next 20 years, sure, there would be some circumstances under which it makes sense." *Id.*, Ex. B at 120:7-14.[13]

Finally, the declarations of Larry Ellison and Safra Catz, submitted in support of this Opposition, confirm that when they are questioned about the licenses that Oracle's damages expert is actually valuing – limited to exactly what Defendants did for the duration that they did it – they, and the Oracle board, will consider the very factors that Oracle's damages expert is considering in providing any opinions on fair market value. *See* Ellison Decl.. ¶¶4-7; Catz Decl., ¶¶3-5. Mr. Ellison further notes that, though fierce competitors, Oracle and SAP have for years engaged in successful license negotiations that allow SAP to license and provide first line support on Oracle's database software for a significant fee to Oracle ([redacted]). Ellison Decl. ¶7; *cf.* House Decl., Ex. A at 48:12-49:6 (SAP's co-founder, Mr. Plattner, agreed that though SAP and Oracle were "competitors" they did sit down and negotiate a "fair price" that was "decided by the market price" for the database license). Mr. Ellison further explains that, given SAP's reported market cap of 48.5 billion Euros in 2005 when Oracle acquired PeopleSoft and 51.0 billion Euros in 2006 when Oracle acquired Siebel, licenses in excess of a billion dollars would not have been prohibitively

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[13] The testimony of SAP's co-founder, Hasso Plattner, that SAP submits in support of its argument that SAP and Oracle would not have agreed on a license deal similarly fails to reflect what the actual retroactive license would have been. MSJ 4:28-5:23. Instead, Mr. Plattner's testimony reveals that he – like Oracle's executives – was never questioned about the value of licenses for the exact uses and duration that Defendants used Oracle's Peoplesoft, J.D. Edwards, Siebel and database software. *Id.*; *see* Lanier Decl., Ex. D. Even so, Mr. Plattner similarly agreed that "return on investment" in the intellectual property being licensed could be a factor in determining the license value. House Decl., Ex. A at 47:19-24 (Plattner Depo.). Further, Mr. Plattner testified that he would look to the "market price" if SAP were negotiating a hypothetical license for use of its software, and that if he could not prevent customers from migrating over to a hypothetical licensee, then he would be "happy" to get a license for maintenance revenue "for the residual amount of time they're using my software." *Id.* at 62:7-64:4 & 68:23-69-6. So, contrary to SAP's argument, the testimony of SAP's co-founder likewise supports the fair market value analysis required to be performed for the retroactive licenses at issue.

expensive to SAP – particularly given the potential financial and strategic benefits from access to Oracle's just-acquired copyrights. Ellison Decl. ¶6. Even though the law does not require Oracle prove the parties would have agreed on, or that SAP would have voluntarily paid, the fair market value of what SAP took, these facts undermine SAP's argument that the parties never could have agreed, and that SAP could not afford the retroactive licenses.

G. SAP Is Not Entitled to Any Requested Relief As a Matter of Law and Triable Issues Bar Summary Judgment

The burdens that SAP must overcome to successfully secure summary judgment are well known. Summary judgment may not be granted unless the Court determines that there is no genuine issue of material fact, and that SAP is entitled to judgment as a matter of law. *See* Fed. R. Civ. P. 56(c); *Anderson v. Liberty Lobby, Inc*., 477 U.S. 242, 250 (1986). The Court must resolve all ambiguities and draw all inferences in favor of Oracle. *See id.* at 255. SAP bears the initial burden of informing the Court of the legal basis for its motion, and of identifying those portions of the pleadings and discovery responses that demonstrate the absence of a genuine issue of material fact. *Celotex Corp. v. Catrett,* 477 U.S. 317, 323 (1986); *Nissan Fire & Marine Ins. Co. v. Fritz Cos.*, 210 F.3d 1099, 1102 (9th Cir. 2000). Even where SAP does not have the ultimate burden of persuasion at trial, it nonetheless holds both the initial burden of production and the ultimate burden of persuasion on a motion for summary judgment. *Nissan*, 210 F.3d at 1102 (citing 10A Charles Alan Wright, Arthur R. Miller and Mary Kay Kane, Federal Practice and Procedure § 2727 (3d ed.1998)). SAP has not carried its burdens here. [14]

Very few of the cases cited in Defendants' motion even involve a summary judgment attack. Each supports denial here. The Second Circuit in *On Davis* vacated the district court's grant of summary judgment against plaintiff's ability to seek a fair market value license as actual damages for copyright infringement, because plaintiff made some showing that "the

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[14] In fact, if the Court sustains Oracle's Objections to Defendants' Evidence, Defendants have not even met their initial burden of production identifying the absence of a genuine material issue of fact, let alone their burden of persuasion. *See* Plaintiffs' Objections to Evidence Filed in Support of Defendants' Motion for Partial Summary Judgment.

thing taken had a fair market value." *On Davis*, 246 F.3d at 166. The Court also noted that, if the plaintiff presented more evidence at trial on fair market value, the jury could award a higher license fee. *Id.* at 161. In *McRoberts Software,* 2001 U.S. Dist. LEXIS 16794 *44-45 (S.D. Ind. Aug. 17, 2001), the Court rejected a summary judgment attack on the availability of actual damages through "lost royalties or licensing fees that [plaintiff] would have earned from [defendant] if [defendant] had paid for the unauthorized use of [plaintiff's] copyrighted software" because "copyright law recognizes that damages are often difficult to prove with precision, and grants the Court discretion in determining damages, based upon the particular facts of the case. Therefore, it is premature for the Court to make a ruling at this time with regard to actual damages." The only other case cited by Defendants that involved a summary judgment attack on "a retroactive license fee measured by what the plaintiff would have earned by licensing the infringing use to the defendant" rejected it for utter failure of proof. *Thornton v. J. Jargon Co.*, 580 F. Supp. 2d 1261, 1276-78 (M.D. Fla. 2008). Using just these cases as a guide, Oracle has more than fended off SAP's summary judgment attack.

Moreover, in this District, it is well settled that attacking damages availability on summary judgment must be rejected where, as here, the plaintiff provides "a reasonable basis" for the measure of damages at trial, or where there is "conflicting evidence" on the facts supporting the damages approach. *See, e.g., Intelligraphics, Inc. v. Marvell Semiconductor, Inc.*, 2009 U.S. Dist. LEXIS 9875, at *61 (N.D. Cal. Jan. 28, 2009) (J. Spero) (rejecting defendant's argument "that it is entitled to summary judgment as to [plaintiff's] request for lost profits damages because [plaintiff] has not presented any evidence concerning the sales of [the products at issue] . . . and therefore, its estimates of lost sales are speculative" where plaintiff's expert provided a methodology based on sales of different products; even though defendant put in evidence undermining the reasonableness of the analysis: "In light of the conflicting evidence, the Court cannot say, as a matter of law, that [plaintiff] will be unable to prove its lost sales with reasonable certainty at trial. Accordingly, the Court concludes that [defendant] is not entitled to summary judgment as to [plaintiff's] lost profits on the grounds that they are speculative."); *see also West Coast Homebuilders v. Aventis Cropscience*, 2009 U.S. Dist. LEXIS 74460, at *26-27

(N.D. Cal. Aug. 21, 2009) (J. Illston) (denying in part a motion for summary judgment brought "on the ground that plaintiff's damages are so uncertain and speculative as to be unrecoverable as a matter of law" because attacks on "various conclusions reached by plaintiff's expert – such as contending that he made a number of unsupported assumptions . . . – those issues go to the weight rather than the admissibility of plaintiff's evidence of damage. As such, there are factual issues inappropriate for summary judgment."); *NGV Gaming, Ltd. v. Harrah's Operating Co.*, 2009 U.S. Dist. LEXIS 71307 (N.D. Cal. Aug. 13, 2009) (J. Conti) (denying defendant's motion for summary judgment seeking to dismiss a claim for failure to meet the damages element because "the Court cannot say, as a matter of law, that [plaintiff] has not been harmed by [defendant's] conduct. . . . There are too many questions of fact here for the Court to make a determination regarding this element. . . .").

The wealth of facts Oracle cites supporting its expert's ability to make fair market valuations of the licenses for the use Defendants made of – and the value Defendants enjoyed from – Oracle's PeopleSoft, J.D. Edwards, Siebel and database copyrighted software remove the possibility of dismissal for lack of evidence or based on claims of undue speculation. The disputed facts, including, *e.g.*, about how Oracle's and SAP's executives would value the licenses for Defendants' actual use, are irrelevant under the objective fair market value test of a willing seller and willing buyer. Moreover, the dispute itself removes this from issues resolvable at summary judgment.

III. CONCLUSION

Oracle does not seek "hypothetical damages" for SAP's infringement, but rather actual damages measured by the fair market value of the rights SAP misappropriated. The Ninth Circuit recognizes and embraces calculating such damages exactly as Oracle is doing: by assessing the fair market value for licenses permitting the specific uses SAP made of Oracle's intellectual property based on credible evidence of that value. Oracle has produced ample evidence supporting such valuation through the declaration of its damages expert and others. SAP has presented no basis under the law or the facts for allowing it to avoid paying damages equal to the value of the rights it misappropriated, and its motion must be denied.

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