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19 UNITED STATES DISTRICT COURT

20 NORTHERN DISTRICT OF CALIFORNIA

21 OAKLAND DIVISION

22 ORACLE USA, INC., et al.,

23 Plaintiffs,

24 v.

25 SAP AG, et al.,

26 Defendants.

Case No. 07-CV-1658 PJH (EDL)

**OPPOSITION TO ORACLE'S
 MOTION TO COMPEL PRODUCTION
 OF DAMAGES-RELATED
 DOCUMENTS AND INFORMATION**

Date: November 24, 2009

Time: 9:00 AM

Courtroom: E, 15th Floor

Judge: Hon. Elizabeth D. Laporte

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1 **I. INTRODUCTION**

2 Plaintiffs' motion (the "Motion") seeks an order compelling Defendants to produce two
3 categories of damages-related information.

4 First, Plaintiffs seek information purportedly relating to the amount of Plaintiffs' "fair
5 market value license" or "hypothetical license" damages claim. This includes: (1) a supplemental
6 response to Interrogatory No. 69, which seeks "value-per-customer data," (2) copies SAP's six
7 "highest dollar value" intellectual property ("IP") licenses, and (3) documents sufficient to show
8 Defendants' research and development ("R&D") expense and headcount information. *See*
9 Motion at 2.

10 On October 28, 2009, Judge Hamilton heard argument and took under submission
11 Defendants' Motion for Partial Summary Judgment Regarding Plaintiffs' Hypothetical License
12 Damages Claim (D.I. 431, "Motion for Partial Summary Judgment"), which seeks to dismiss
13 Plaintiffs' hypothetical license claim in its entirety.¹ If Judge Hamilton grants Defendants'
14 motion, this Motion would become moot as to these issues.

15 Even if Plaintiffs are permitted to pursue a hypothetical license theory of damages, the
16 Court should not allow discovery regarding SAP's "highest dollar value licenses" because these
17 licenses are irrelevant to Plaintiffs' hypothetical license damages claim, and permitting discovery
18 of these licenses would impose a significant and unjustified burden on Defendants in the last
19 month of discovery. Denying Plaintiffs' Motion would put a stop to Plaintiffs' attempt to cherry-
20 pick irrelevant license agreements *solely because they have high values*, so that they subsequently
21 could be misused to inflate a hypothetical license claim.

22 Second, Plaintiffs move to compel documents relating to their claim for "infringer's
23 profits." *See id.* Specifically, Plaintiffs seek production of certain financial statements
24 "comparable" to those which the Court previously ordered Plaintiffs to produce to Defendants.

25 _____
26 ¹ In their Motion for Partial Summary Judgment, Defendants argue that Plaintiffs are not
27 entitled to actual damages in the form of a hypothetical license because they cannot carry their
28 preliminary burden to prove that, but for the alleged infringement, the parties could have or would
have agreed to a license. *See* D.I. 431. Unlike Defendants' Motion for Partial Summary
Judgment, which addresses the causation requirement for obtaining a hypothetical license,
Plaintiffs' instant Motion addresses only the *price* of a hypothetical license, if available.

1 By the time this Motion is heard, Defendants expect to have produced such financial statements,
2 and therefore, this issue should be mooted.

3 In addition, Plaintiffs make a catchall request in asking the Court to order Defendants to
4 produce all evidence of “deductible expenses and elements of profit attributable to factors other
5 than the copyrighted work” in response to the infringer’s profits claim. The problem with this
6 request is that the infringer’s profits claim will not be known in any meaningful detail until
7 Plaintiffs produce their damages expert report on November 16. It would be premature to order
8 Defendants to produce all responsive cost information before Plaintiffs reveal the details of any
9 claim they may make. Upon receipt of Plaintiffs’ expert’s damages report, Defendants will make
10 every reasonable effort to promptly produce any cost information that has not already been
11 produced. Plaintiffs’ insistence that Defendants divine the specifics of Plaintiffs’ infringer’s
12 profits claim and produce all potentially deductible cost information in advance of seeing the
13 claim is simply unworkable.

14 For the foregoing reasons, Plaintiffs’ Motion should be denied.

15 **II. LEGAL STANDARD**

16 The Federal Rules of Civil Procedure permit broad discovery “regarding any matter, not
17 privileged, that is relevant to the claim or defense of any party” Fed. R. Civ. P. 26(b)(1). A
18 matter is relevant when it seeks admissible evidence or when the evidence is “reasonably
19 calculated to lead to the discovery of admissible evidence.” *Id.*

20 “The scope of discovery, however, is not unlimited.” *Ryan v. Editions Ltd. W., Inc.*, C-06-
21 4812 PVT, 2007 U.S. Dist. LEXIS 62725, at *3 (N.D. Cal. Aug. 14, 2007). Rather, the Court
22 “must limit” discovery when the burden or expense of the proposed discovery outweighs its likely
23 benefit. Fed. R. Civ. P. 26(b)(2)(C)(iii). Pursuant to Rule 26(b)(2)(C)(iii), courts have denied
24 motions to compel information not relevant to a party’s claims or defenses. *See, e.g., Ryan*, 2007
25 U.S. Dist. LEXIS 62725, at *9; *Beinin v. Center for the Study of Popular Culture*, No. 06-2298
26 JW (RS), 2007 U.S. Dist. LEXIS 22518, at *15 (N.D. Cal. Mar. 16, 2007) (denying motion to
27 compel where “[t]he probative value of the requested documents in this case . . . is minimal at
28 best”).

1 **III. THE REQUESTED DISCOVERY IS NOT RELEVANT OR NECESSARY TO**
 2 **PLAINTIFFS' HYPOTHETICAL LICENSE DAMAGES CLAIM**

3 **A. Defendants Have Already Provided Sufficient Value-per-Customer Data**
 4 **(Interrogatory 69).**

5 If Judge Hamilton grants Defendants' Motion for Partial Summary Judgment, that ruling
 6 will completely moot Oracle's Interrogatory No. 69. Interrogatory 69 requests that Defendants
 7 describe "in as much detail as possible" how each Defendant projects or calculates the "value" of
 8 a customer. Plaintiffs concede that the only purported relevance of this discovery is to "support
 9 the valuation of [Plaintiffs'] fair market value license measure of damages" (sometimes also
 10 referred to as the "hypothetical license" form of actual damages). Motion at 6. Whether
 11 Plaintiffs may pursue that theory of damages at all is the subject of the pending Motion for Partial
 12 Summary Judgment, and a ruling in Defendants' favor will eliminate any basis Plaintiffs may
 13 have for seeking this information.

14 Regardless of whether value-per-customer data is relevant to calculating the price of a
 15 hypothetical license, the Motion should also be denied because Defendants have already provided
 16 a sufficient response to Interrogatory No. 69. Subject to and without waiving their objections,
 17 including their relevance and burden objections, Defendants provided a substantive answer, the
 18 full text of which is included in the filing under seal of Exhibit B to the Donnelly Declaration² at
 19 11-12. During the meet and confer process with respect to this issue, Defendants agreed to
 20 further investigate whether any supplemental response is warranted. *See* Donnelly Decl. ¶ 3,
 21 Exhibit ("Ex.") F at 16. Defendants have made reasonable additional inquiries within SAP and
 22 have concluded that there is no additional responsive information.

23 Part of the problem here may be one of semantics. Plaintiffs appear to interpret
 24 Defendants' response to Interrogatory No. 69 as though Defendants only looked for responsive
 25 information that existed at the time Defendants sign up a new customer for a software license.
 26 *See* Motion at 6-7. That is a misreading of the response. In fact, the response effectively states
 27 that based upon a reasonable search, Defendants have been unable to identify the existence of the

28 ² Declaration of Amy Donnelly in Support of Plaintiffs' Motion to Compel Production of
 Damages Related Documents and Information ("Donnelly Declaration" or "Donnelly Decl.>").

1 type of information Plaintiffs appear to seek. If necessary, Defendants can provide a
2 supplemental response that clarifies this apparent confusion.

3 **B. SAP’s “Highest Dollar Value Licenses” Are Irrelevant to Plaintiffs’**
4 **Hypothetical License Damages Claim, and Permitting Discovery of These**
5 **Licenses Would Impose an Undue Burden on Defendants.**

6 SAP’s “highest dollar value licenses” for non-Oracle IP cannot bear on the price of a
7 hypothetical license for TomorrowNow’s allegedly infringing use of Oracle IP. They are not
8 appropriate benchmark licenses; thus, there can be no benefit to permitting this discovery.
9 Defendants have already responded to Plaintiffs’ discovery requests for information regarding
10 potentially relevant benchmark licenses, and Plaintiffs are not entitled to seek additional
11 information regarding licenses that do not and cannot inform the price of the hypothetical license
12 at issue here. Moreover, granting Plaintiffs’ Motion to Compel would impose an undue burden.

13 **1. Licenses that Are Not Comparable in Subject Matter or in Scope Are**
14 **Not Relevant to the Price of a Hypothetical License.**

15 Courts have made clear that only licenses with *comparable* subject matter and terms are
16 relevant to calculating the amount of a hypothetical license. As a general matter, if a copyright
17 plaintiff is entitled to recover actual damages in the form of a hypothetical license, then the
18 amount of the license may be calculated by considering ““what a willing buyer would have been
19 reasonably required to pay to a willing seller for plaintiffs’ work’ . . . at the hypothetical time of
20 sale.” *Jarvis v. K2, Inc.*, 486 F.3d 526, 533-34 (9th Cir. 2007) (quoting *Sid & Marty Krofft*
21 *Television Prods., Inc. v. McDonald’s Corp.*, 562 F.2d 1157, 1174 (9th Cir. 1977)); *see also*
22 *Mackie v. Rieser*, 296 F.3d 909, 917 (9th Cir. 2002); *Frank Music Corp. v. Metro-Goldwyn-*
23 *Mayer, Inc.*, 772 F.2d 505, 512, 513 n.6 (9th Cir. 1985) (noting that the willing buyer/willing
24 seller test “seeks to approximate what a reasonable market price would have been at the time of
25 the infringement, not afterwards”). In applying the willing buyer/willing seller test to calculate
26 the amount of the hypothetical license, courts may consider “the compensation obtained on the
27 open market for the license of *similar rights to other comparable literary properties.*” *Siegel v.*
28 *Warner Bros. Entm’t*, No. CV 04-08400-SGL (RZx), 2009 WL 2014164, at *7 (C.D. Cal. July 8,
2009) (emphasis added); *see also Jarvis*, 486 F.3d at 533 (affirming award of hypothetical license

1 based on evidence of what defendant typically paid to license photographs, prior dealings with the
2 plaintiff, and what plaintiff was typically paid to license photographs); *Polar Bear Prods., Inc. v.*
3 *Timex Corp.*, 384 F.3d 700, 709 (9th Cir. 2004) (affirming award of hypothetical license based on
4 evidence of the parties' license for the infringed work); *Mackie*, 296 F.3d at 913, 917 (affirming
5 award of hypothetical license based on evidence that plaintiff had "given permission for others to
6 use [the infringed work] without payment of a royalty").

7 Courts exclude as irrelevant licenses that are not comparable in subject matter or in scope
8 to the hypothetical license sought. With respect to subject matter, it is not enough that past
9 licenses involve the same general category of intellectual property; rather, to serve as benchmarks
10 for the price of a hypothetical license, past licenses must be shown to be comparable in genre as
11 well. *See Siegel*, 2009 WL 2014164, at *6, *8 (refusing to consider evidence of dissimilar film
12 licensing agreements to calculate the fair market value of a film licensing agreement for the
13 infringed work); *Frank Music*, 772 F.2d at 513 n.6 (upholding district court's exclusion of
14 "evidence of royalties other Broadway shows had earned in Las Vegas productions" as irrelevant
15 to value of hypothetical license of the Broadway show at issue); *Bi-Rite v. Button Master*, 578 F.
16 Supp. 59, 60 (S.D.N.Y. 1983) (precluding evidence of plaintiff's past licenses with non-party
17 entities to compute hypothetical license because past licenses did not "duplicate[] the goods
18 distributed by defendants"). For example, in *Siegel*, the court found that film licensing
19 agreements for popular novels, well-known musicals or "low-tier comic book character[s]" were
20 "incomparable agreements" that could not serve as benchmark licenses to calculate the fair
21 market value of a film licensing agreement for the *Superman* comic book. *Siegel*, 2009 WL
22 2014164, at *6, *8. The court reasoned that such agreements were not sufficiently similar to a
23 film licensing agreement for "a well-known comic book circa 1999 to 2002." *Id.* at *6, *8-10.

24 At least one court has denied a motion to compel production of licenses and assignments
25 because the requesting party had failed to explain how these licenses could relate to the price of a
26 hypothetical license. *See Beinin*, 2007 U.S. Dist. LEXIS 22518, at *15; *see also Beinin v. Center*
27 *for the Study of Popular Culture*, No. C 06-02298 JW, 2007 U.S. Dist. LEXIS 47546, at *14-17
28 (N.D. Cal. Jun. 20, 2007) ("*Beinin II*") (overruling objections to *Beinin*). In *Beinin*, third party

1 Theodore Mock had photographed plaintiff and then assigned plaintiff the rights to the
 2 photograph. *Beinin*, 2007 U.S. Dist. LEXIS 22518, at *3. After plaintiff sued defendants for
 3 infringement of that photograph, defendants moved to compel documents relating to “licenses,
 4 assignments, and other similar grants of rights for the use of photographs” taken by Mock. *Id.* at
 5 *14. Magistrate Judge Seeborg denied the motion to compel, noting that “[t]he probative value of
 6 the requested documents in this case . . . is minimal at best,” in light of the fact that defendants
 7 had “made no showing that [licenses and assignments of] such disconnected photographs would
 8 have other than the most tenuous relationship to the issues presented in this action.” *Id.* at *15.

9 Similarly, with respect to scope, courts will not consider evidence of licenses with
 10 dissimilar terms as benchmarks for a hypothetical license. *See Country Road Music, Inc. v.*
 11 *MP3.com, Inc.*, 279 F. Supp. 2d 325, 330-31 (S.D.N.Y. 2003) (granting motion to strike expert
 12 report regarding the price of a hypothetical license because it was based only on a “single license
 13 between non-parties for a use different from that made by MP3.com”); *Antenna Television, A.E. v.*
 14 *Aegean Video Inc.*, No. 95-CV-2328 ERK, 1996 WL 298252, *4-5 (E.D.N.Y. Apr. 23, 1996)
 15 (precluding award of hypothetical license because plaintiff failed to present evidence of any
 16 comparable, benchmark licenses); *cf. On Davis v. The Gap*, 246 F.3d 152, 166 n.5 (2d Cir. 2001).

17 **2. SAP’s “Highest Dollar Value Licenses” Are Not Comparable**
 18 **Benchmark Licenses Relevant to the Price of the Hypothetical License**
 19 **Plaintiffs Seek.**

20 Plaintiffs’ request for SAP’s “highest dollar value licenses” ignores the factual context of
 21 the hypothetical license at issue here and does not seek comparable—or relevant—benchmark
 22 licenses. For that reason, Plaintiffs’ Motion to Compel these licenses should be denied.

23 The parties agree that the hypothetical license Plaintiffs seek as actual damages would
 24 cover TN’s allegedly infringing use of Oracle IP. In their May 22, 2009 Supplemental
 25 Disclosures, Plaintiffs described the hypothetical license they are pursuing as one resulting from a
 26 negotiation between Oracle and SAP in January 2005. *See* D.I. 433-8, Ex. H at 47. In motion
 27 practice before this Court, Plaintiffs described the hypothetical license as one that “would [have]
 28 allow[ed] SAP’s service subsidiary to use Oracle applications and service support intellectual
 property” and that would have covered any “attempt[] to convert the customer to a competing

1 software platform and . . . daily wholesale copying and cross-use of Oracle’s application software
2 and support materials.” D.I. 253 at 2, 14.

3 But the licenses Plaintiffs move to compel bear no relation at all to that hypothetical
4 license. Specifically, Plaintiffs seek to compel copies of:

5 . . . the three licenses, executed or in effect in the last five years,
6 pursuant to which SAP AG and/or SAP America has been paid the
7 largest overall sum of money for grants by SAP AG and/or SAP
8 America to any Person for the use of SAP’s Intellectual Property
9 and of the three licenses, executed or in effect in the last five years,
10 pursuant to which SAP AG and/or SAP America has paid the
11 largest overall sum of money for grants of other Persons’
12 Intellectual Property.

13 Motion at 7. The requested licenses are irrelevant to the computation of a hypothetical license
14 amount, for several reasons.

15 First, licenses for SAP IP and that of “independent third parties” (Motion at 8) are not
16 sufficiently similar in subject matter to—and thus cannot inform the price of—a hypothetical
17 license for Oracle’s IP. Plaintiffs have made no effort in either their meet and confer discussions
18 with Defendants or in their Motion to articulate how the subject matter of these requested licenses
19 are at all comparable in subject matter to the particular Oracle IP alleged to have been infringed
20 by TN. *See* Donnelly Decl. ¶ 7, Ex. E at 5-6; *id.* ¶ 8, Ex. F at 14; *id.* ¶ 13, Ex. I. Plaintiffs’ broad
21 request is not even limited to licenses of software, let alone software comparable to the Oracle
22 software allegedly infringed by TN. Courts have rejected just such attempts by copyright
23 plaintiffs seeking a hypothetical license to proffer evidence of licenses for dissimilar IP. *See*
24 *Frank Music*, 772 F.2d at 513 n.6; *Siegel*, 2009 WL 2014164, at *6, *8; *Bi-Rite v. Button Master*,
25 578 F. Supp. at 60; *cf. Beinin*, 2007 U.S. Dist. LEXIS 22518, at *15; *Beinin II*, 2007 U.S. Dist.
26 LEXIS 47546, at *14-17 (N.D. Cal. Jun. 20, 2007).

27 Second, Plaintiffs have not shown that the terms of SAP’s “highest dollar value licenses”
28 resemble, at all, the terms of the hypothetical license at issue here, which would cover TN’s
allegedly infringing use of Oracle IP to support Oracle’s customers. As discussed above, courts
have rejected evidence of licenses whose terms and grants of rights are not comparable to the type
covered by the hypothetical license sought. *See Country Road Music*, 279 F. Supp. 2d at 330;

1 *Antenna Television*, 1996 WL 298252, at *4-5; *cf. On Davis*, 246 F.3d at 166 n.5. Furthermore,
2 Plaintiffs' claim that SAP's "highest dollar value licenses" are relevant to a hypothetical license
3 price is undermined by Plaintiffs' refusal to produce their own licenses with third parties. *See* D.I.
4 253 (Oracle's Opposition to Defendants' Motion to Compel Discovery Concerning Third Party
5 Support Provided by Oracle's Partners) at 2, 9-10 (asserting that Oracle's partner relationships are
6 irrelevant to the issue of hypothetical license damages because Oracle contracts with partners "for
7 the benefit of Oracle," whereas TomorrowNow acts "in competition with Oracle"), 13 ("Oracle's
8 contractual arrangements with its non-competing Partners are, thus, far too dissimilar from any
9 license that the SAP Defendants would have to secure to be admissible as a benchmark in
10 evaluating a reasonable royalty"); *see also* D.I. 176 (8/28/08 Transcript of Proceeding Before Hon.
11 Elizabeth D. Laporte) at 51; D.I. 240-5 (2/7/08 Letter Brief to Hon. Charles A. Legge in
12 Opposition to Defendants' Motion to Compel) at 4-5. What is good for the goose is good for the
13 gander. Having consistently resisted discovery regarding licenses of their own IP with non-
14 competing third parties on the basis that such discovery is irrelevant, Plaintiffs cannot plausibly
15 claim that information about SAP's general licensing practices with non-competing third parties
16 and its valuation of its and other non-Oracle entities' IP is relevant.

17 Third, Plaintiffs' request for licenses seeks evidence from time periods that cannot inform
18 the price of the hypothetical license at issue here, which must "approximate what a reasonable
19 market price would have been *at the time of the [alleged] infringement*"—*i.e.*, in January 2005.
20 *Frank Music*, 772 F.2d at 512, 513 n.6 (emphasis added); *see also Jarvis*, 486 F.3d at 535 (noting
21 the case law's "emphasis on fair market value *at the time of the infringement*") (emphasis added).
22 To the extent that Plaintiffs' request encompasses licenses entered into after the hypothetical
23 license would have taken effect, it seeks information irrelevant to the calculation of the
24 hypothetical license.

25 Finally, contrary to Plaintiffs' assertions, SAP's "highest dollar value licenses," by
26 definition, cannot reflect Defendants' typical "arm's length IP licensing practices." *See* Motion at
27 2. Rather, they represent the largest sums SAP has ever paid or received for IP. Courts have
28 made clear that the amount of a hypothetical license is not to be determined by the highest price

1 that a plaintiff might have extracted, but what a reasonable price would have been to license the
2 allegedly infringed work for the use actually made by defendant. *See Siegel*, 2009 WL 2014164,
3 at *13 (“Significantly, market valuation is not tied to finding what was the *best* price that DC
4 comics could have obtained for the film rights to the Superman property, but what a ‘reasonable’
5 price would have been paid for it by a willing buyer.”); *On Davis*, 246 F.3d at 166 n.5
6 (“Furthermore, the fair market value to be determined is not of the highest use for which plaintiff
7 might license but the use the infringer made.”). Ultimately then, any attempt to compare SAP’s
8 “highest dollar value licenses” to the hypothetical license at issue here “would be truly comparing
9 apples to oranges.” *Siegel*, 2009 WL 2014164, at *10.

10 Plaintiffs also suggest that SAP’s willingness to enter into IP licenses with non-Oracle
11 entities supports the theory that the parties would have agreed to a hypothetical license covering
12 TN’s allegedly infringing conduct. *See* Motion at 2, 7. This claim, which pertains to Defendants’
13 Motion for Partial Summary Judgment, has no merit, as evidenced by Plaintiffs’ failure to raise
14 this argument in their Opposition to the Motion for Partial Summary Judgment and their failure to
15 move pursuant to Fed. R. Civ. 56(f). The mere fact that SAP has entered into IP licensing deals
16 with other entities is irrelevant to whether *these* parties would have agreed to *this* hypothetical
17 license. Similarly, the fact that Defendants have argued in their Motion for Partial Summary
18 Judgment that neither Oracle nor SAP would have agreed to a hypothetical license covering
19 TomorrowNow’s allegedly infringing conduct does not suddenly render relevant SAP’s practices,
20 over the last five years, in granting and obtaining dissimilar licenses for non-Oracle IP.

21 Because the “highest dollar value licenses” Plaintiffs seek are not comparable in subject
22 matter or scope to the hypothetical license at issue here, Plaintiffs’ motion to compel these
23 licenses should be denied.

24 **3. Defendants Have Already Responded to Discovery Requests Seeking**
25 **Information Regarding Potentially Relevant Benchmark Licenses.**

26 Plaintiffs’ request for SAP’s “highest dollar value licenses” is not only meritless but also
27 unnecessary. Defendants have already responded to discovery requests seeking information
28 regarding potentially relevant benchmark licenses. For example, Plaintiffs’ Request for

1 Production No. 23 requests:

2 [D]ocuments relating to licenses between SAP and any
3 “independent (non-affiliated, non-partner) software support service
4 provider for SAP-branded software applications or to any license
5 Defendants deem comparable to the type of license that would have
6 been required between Oracle and SAP TN for the type of activities
7 engaged in by Defendants.

8 D.I. 329 at 3 n.2. In connection with the parties’ agreement regarding Oracle’s June 30, 2009
9 Motion to Compel Production of Documents Related to Damages Model (“June 30, 2009 Motion
10 to Compel”) (D.I. 329), Defendants “confirm[ed] that . . . there are no SAP acquisitions or SAP
11 licenses that would serve as an appropriate benchmark for a hypothetical license in this case, and
12 therefore there are no documents responsive to this request.” *See* D.I. 337 (Declaration of Joshua
13 L. Fuchs in Support of Defendants’ Opposition to Plaintiffs’ Motion to Compel Production of
14 Documents Related to Damages Model) ¶ 23, Ex. K at 4, 6.

15 Similarly, Plaintiffs’ Interrogatory No. 78 asks Defendants to:

16 Identify with particularity all licenses, contracts, or agreements
17 between SAP AG, SAP America or any affiliated entity or
18 subsidiary and any independent (non-affiliated, non-partner)
19 software support service provider for SAP branded software
20 applications, including without limitation the dates, parties, and
21 subject matter of the licenses, contracts, or agreements.

22 *See* Donnelly Decl. ¶ 7, Ex. E at 5. Consistent with the parties’ agreement regarding Plaintiffs’
23 June 30, 2009 Motion to Compel, Defendants have supplemented their response to this
24 interrogatory by confirming that “SAP has not entered into any licenses with independent (non-
25 affiliated, non-partner) software support service providers for SAP-branded software applications
26 or any licenses that are comparable to the type of license that is alleged to have been required
27 between Oracle and TomorrowNow for the type of activities engaged in by Defendants.” *Id.*
28 Having confirmed that SAP has not entered into any licenses that would serve as benchmarks for
a hypothetical license in this case, Defendants have no obligation to provide information
regarding other licenses that do not and cannot serve as benchmarks to calculate the price of a
hypothetical license. There can be no benefit to producing SAP’s “highest dollar value licenses,”
and Plaintiffs’ motion to compel this irrelevant discovery should be denied.

1 **4. Permitting Discovery of Dissimilar Licenses that Cannot Serve as**
 2 **Benchmarks for a Hypothetical License Would Impose an Undue**
 3 **Burden on Defendants.**

4 The undue burden and expense to Defendants that would result from permitting discovery
 5 of licenses not comparable to a hypothetical license significantly outweighs the likely benefit of
 6 such discovery. Although the “highest dollar value licenses” Plaintiffs move to compel represent
 7 only the largest sums SAP has ever paid or received for IP, Plaintiffs will attempt to offer these
 8 licenses as evidence of “Defendants’ . . . arms’ length IP licensing practices.” Motion at 2.
 9 Despite the fact that SAP’s “arms’ length IP licensing practices” in the abstract cannot inform the
 10 price of the specific hypothetical license sought here, were the Court to permit discovery of
 11 SAP’s “highest dollar value licenses,” Defendants would be hard pressed, at this late date, to
 12 begin and complete the analysis necessary to rebut Plaintiffs’ claim that these licenses should
 13 govern the price of a hypothetical license. In theory, if discovery were opened into all license
 14 agreements—whether similar or dissimilar to the hypothetical license Plaintiffs seek—Defendants
 15 would be put to the burden of reviewing and analyzing the value, subject matter, and terms of the
 16 hundreds of incoming and outgoing SAP IP licensing agreements to contextualize SAP’s highest
 17 dollar value licenses. The burden on Defendants to perform this research and analysis is vast and
 18 unjustified in light of the questionable value of the requested discovery. Thus, Plaintiffs’ motion
 19 to compel production of SAP’s “highest dollar value licenses” should be denied.

20 **C. Defendants Will Provide Supplemental Research and Development**
 21 **Information to Moot Plaintiffs’ Request for this Discovery.**

22 Plaintiffs seek an order compelling production of documents “sufficient to show” certain
 23 R&D expense and headcount information to the extent available. Motion at 8-10. Here again,
 24 Plaintiffs concede that the only purported relevance of this discovery is to “support the valuation
 25 of [Plaintiffs’] fair market value license measure of damages”³ (Motion at 8), and a ruling for

26 ³ As described in detail in their briefing on the Motion for Partial Summary Judgment,
 27 Defendants dispute that information regarding “how much Defendants avoided spending and the
 28 risks and time delay they avoided by infringing” (Motion at 9) is relevant to a hypothetical license;
 specifically, Defendants argue that Plaintiffs are not entitled to a hypothetical license based on
 “saved acquisition costs” because such a theory of recovery is inconsistent with the Copyright
 Act and Ninth Circuit law. *See* D.I. 431 at 16-20; D.I. 504 at 12-15.

1 Defendants on the pending Motion for Partial Summary Judgment will eliminate Plaintiffs' basis
2 for seeking this information.

3 Subject to and without waiving their objections, Defendants previously produced R&D
4 expense information, and, in response to Plaintiffs' recent requests for additional information,
5 Defendants have agreed to make a supplemental production. Defendants expect to complete that
6 production before the hearing on this Motion and anticipate that this request will thereby become
7 moot.

8 **IV. DEFENDANTS WILL PRODUCE DETAILED FINANCIAL STATEMENTS AND**
9 **TRIAL BALANCE INFORMATION, BUT IT IS PREMATURE TO REQUIRE**
10 **PRODUCTION OF ALL DEDUCTIBLE COSTS UNTIL AFTER PLAINTIFFS**
11 **SPECIFY THEIR "INFRINGER'S PROFITS" CLAIM**

12 Plaintiffs' suggestion that Defendants have been dilatory in producing financial
13 information is baseless. In fact, Defendants have produced a great deal of financial information,
14 including, for example, TomorrowNow's entire general ledger, which Plaintiffs previously
15 appeared to consider satisfactory. It was only *after* Plaintiffs were ordered to produce certain
16 financial information in response to Defendants' motion to compel (D.I. 463) that Plaintiffs made
17 new and more specific requests for comparable financial reports.

18 In addition, Plaintiffs have made a catchall request for "any other evidence of deductible
19 expenses and elements of profit attributable to factors other than the copyrighted works that
20 Defendants may rely upon" in responding to Plaintiffs' infringer's profits claim. Plaintiffs
21 purported justification for this order is their document request to SAP AG seeking "[a]ll
22 Documents that You may rely upon or introduce at trial in this litigation." Motion at 14 n.8;
23 Donnelly Decl. ¶ 5, Ex. D (Oracle's Request for Production No. 60).

24 In response to these more recent requests, Defendants have agreed to produce financial
25 statements and trial balance information and will produce this information prior to the hearing on
26 this Motion. The difficulty, however, is that Plaintiffs' demands present a chicken and egg
27 dilemma. Plaintiffs have not specified any details of their infringer's profits claim, and, as a
28 result, Defendants cannot divine which elements of cost might be appropriately applied. When
29 pressed on this issue in the meet and confer process, Plaintiffs merely made the sweeping

1 assertion that Plaintiffs would be “seeking infringer’s profits for the application sales revenues
 2 associated with the ‘List of 83’ customers.” Donnelly Decl. ¶ 11, Ex. H at 1. Plaintiffs have not
 3 specified any particular applications, time frames or customers. Thus, the generalized assertion is
 4 too vague and Defendants cannot be reasonably required to produce every detail of offsetting cost
 5 that may be appropriate based on that assertion alone. Rather, Defendants must be given an
 6 opportunity to assess Plaintiffs’ *actual* infringer’s profits claim when it is disclosed by their
 7 damages expert on November 16.

8 Judge Hamilton’s Revised Case Management and Pretrial Order provides that opening
 9 expert reports are due on November 16, 2009, and rebuttal expert reports are not due until
 10 February 26, 2010. *See* D.I. 325. After receiving Plaintiffs’ opening reports, Defendants will
 11 make diligent efforts to disclose any additional cost information that has not been previously
 12 provided. Ultimately then, Plaintiffs’ request to compel “any other evidence of deductible
 13 expenses and elements of profit attributable to factors other than the copyrighted works that
 14 Defendants may rely upon” is premature, and the Motion should be denied as to this request.

15 **V. CONCLUSION**

16 For the foregoing reasons, Defendants request that Plaintiffs’ Motion be denied in its
 17 entirety.

18
 19 Dated: November 3, 2009

JONES DAY

21 By: /s/ Jason McDonell
 22 Jason McDonell

Attorneys for Defendants

23 SFI-622004v1