

United States District Court
For the Northern District of California

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

ORACLE CORPORATION, et al.,

No. C-07-01658 PJH (EDL)

Plaintiffs,

**ORDER GRANTING IN PART
PLAINTIFFS' MOTION TO COMPEL**

v.

SAP AG, et al.,

Defendants.

On November 24, 2009, the Court held a hearing on Plaintiffs' Motion to Compel production of: (1) a supplemental response to Plaintiffs' Interrogatory 69 related to customer valuations; (2) certain information related to Defendants' Research and Development expenses; (3) certain information responsive to Request for Production 147 related to Defendants' licensing practices; and (4) certain information responsive to Plaintiffs' First Targeted Search Request relating to Plaintiffs' infringer's profits measure of damages. The parties stated in their briefing and at the hearing that the second and fourth issues had been resolved. For the reasons stated at the hearing and in this Order, the Court grants in part Plaintiffs' motion to compel with respect to the remaining issues.

Interrogatory 69

Interrogatory 69 states:

Describe, in as much detail as possible, how each Defendant analyzes, projects, models, or otherwise calculates the value (economic, marketing, competitive, or otherwise) of a customer to any Defendant, for any length of time, including, but not limited to, analysis, projections, models or other calculations of the value of licensing later versions of a product to a customer or of licensing different products to a customer.

See Donnelly Decl. Ex. B at 11. Plaintiffs argue that this information is relevant to Plaintiffs' proof

1 of its fair market value measure of damages, specifically that Defendants' customer valuation
2 information can show that Defendants value a customer more highly than the customer's initial
3 purchases of applications or support would suggest. A higher valuation could result from the
4 potential for expanded application and support purchases over time, which in turn is relevant to
5 explain why TomorrowNow customers were far more valuable to Defendants than just the
6 TomorrowNow support fees that they paid.

7 Defendants argue that they have already provided sufficient customer valuation data. See
8 Donnelly Decl. Ex. B at 11-12. Their substantive response to Interrogatory 69 states:

9 SAP is in the business of developing, marketing, selling, implementing and
10 supporting enterprise software applications. The main sources of revenue are
11 software, support, consulting, and education. Software revenues primarily comes
12 from selling perpetual licenses to customers. While signing up a new customer for a
13 software license, SAP does not have an established process for calculating the value
14 of the current and any potential future revenue streams for any length of time. The
15 deal structure of the current deal is solely based on customer requirements for
16 solutions and a negotiated price.

17 See id. at 14.

18 As stated at the hearing, Plaintiffs are entitled to more information from Defendants about
19 customer valuation, particularly about valuation over the customer's lifecycle, to the extent
20 Defendants have such information based on any regular practice (as opposed to an ad hoc non-
21 routine effort by an individual marketing employee). Therefore, Defendants shall supplement their
22 response to provide information about general methodologies, formal or informal, that are used to
23 project a customer's value over the lifecycle of the customer. Further, as agreed to at the hearing,
24 Defendants shall also provide a clarification that their response to the Interrogatory was not limited
25 to the time when a customer is first established with Defendants. Accordingly, Plaintiff's Motion to
26 Compel further response to Interrogatory 69 is granted in part.

27 **Request for Production 147**

28 Request for Production 147, which was propounded on September 30, 2009, states:

Documents sufficient to show the terms and value (monetary and/or otherwise) of the
five licenses, executed or in effect in the last five years, pursuant to which SAP AG
and/or SAP America has been paid the largest overall sum of money for grants by
SAP AG and/or SAP American to any Person for the use of SAP's Intellectual
Property, and of the five licenses, executed or in effect in the last five years, pursuant
to which SAP AG and/or SAP American had paid the largest overall sum of money
for grants of other Person's Intellectual Property. Necessary documents would

1 include, but not be limited to, Defendants relating to each of the ten licenses’
2 provisions relating to consideration, royalties, taxes, costs, cross-licenses, transfer
3 fees, ownership of Intellectual Property, and Defendants’ reporting (financial or
4 otherwise) of the values and benefit to Defendants of such licenses.

5 See Donnelly Decl. Ex. C at 6-7. Plaintiffs subsequently narrowed the request from ten total
6 licenses to six total licenses. Plaintiffs argue that this information is relevant to show the
7 reasonableness of Plaintiffs’ fair market value license amount, which contemplates a willing buyer
8 and willing seller, and to undermine any claim by Defendants that they would never have paid or
9 charged a significant amount for intellectual property.

10 Defendants argue that their highest dollar value licenses for non-Oracle intellectual property
11 do not bear on the price of a hypothetical license for TomorrowNow’s allegedly infringing use of
12 Plaintiffs’ intellectual property because they are not appropriate benchmark licenses. Defendants
13 argue that they have already produced discovery about benchmark licenses. Defendants also argue
14 that production would be burdensome.

15 Actual damages may be calculated by considering “what a willing buyer would have been
16 reasonably required to pay to a willing seller for plaintiffs’ work” at the hypothetical time of sale.
17 Jarvis v. K2, Inc., 486 F.3d 526, 533-34 (9th Cir. 2007) (internal citations omitted). To calculate
18 these damages, courts consider benchmark licenses with comparable subject matter and terms. See
19 Jarvis, 486 F.3d at 533 (affirming award of hypothetical license where trial court in part considered
20 “the financial perspectives of both the willing buyer (in the form of evidence about what K2
21 typically pays for images and what it specifically paid Jarvis in its prior dealings with him) and the
22 willing seller (in the form of Jarvis’ earlier deals with K2 and his revenue from image databanks) at
23 the hypothetical time of sale.”). However, licenses that are not comparable in scope or subject
24 matter have been found to be inadequate to support a hypothetical damages award. See, e.g., Siegel
25 v. Warner Bros. Entm’t, 2009 WL 2014164, at *6, 8 (C.D. Cal. July 8, 2009) (finding that parties
26 failed to present comparable licenses for the Superman film and television licenses at issue in that
27 case because the licenses presented were for musicals, lower level comic book characters, novels,
28 and incomparable television characters).

Defendants argue that the highest dollar value licenses are not benchmark licenses that could
support a hypothetical damages award. Defendants’ arguments, however, go primarily to whether

1 the licenses will be admissible, not whether they are discoverable. Plaintiffs have made a showing
2 that these licenses are relevant and are therefore entitled to further discovery about them. Request
3 for Production 147, however, is overbroad. The Court orders the parties to determine the specific
4 parameters of Defendants' production, but notes that this Request could be further limited in time,
5 limited to licenses for software in general or the kind of applications software at issue in this case, or
6 limited to situations in which Defendants were the licensors rather than the licensees. Once the
7 parties have agreed on a more targeted Request, Defendants shall produce document sufficient to
8 show the terms of the licenses that are at issue.

9 **IT IS SO ORDERED.**

10 Dated: December 1, 2009

Elizabeth D. Laporte

ELIZABETH D. LAPORTE
United States Magistrate Judge