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20   UNITED STATES DISTRICT COURT

21   NORTHERN DISTRICT OF CALIFORNIA

                        OAKLAND DIVISION

22 ORACLE USA, INC., *et al.*,   No. 07-CV-01658 PJH (EDL)

23   Plaintiffs,   **REPLY MEMORANDUM IN**
       v.   **SUPPORT OF MOTION NO. 3: TO**
24   **EXCLUDE TESTIMONY OF**
                                            DEFENDANTS' EXPERT DAVID
25 SAP AG, *et al.*,   **GARMUS**

26   Defendants.   Date: September 30, 2010
                                            Time: 2:30 p.m.
27   Place: Courtroom 3
                                            Judge: Hon. Phyllis J. Hamilton
28

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REPLY MEMO. RE MOT. TO EXCLUDE TESTIMONY OF DEFENDANTS' EXPERT DAVID GARMUS

I. INTRODUCTION

Hoping to avoid the substance of Oracle's *Daubert* challenge to their expert, David Garmus, SAP now claims that Garmus is moot. They make this assertion based on the erroneous claim that the Oracle expert he seeks to rebut, Paul Pinto, is also moot due to the Court's summary judgment ruling. In fact, certain of Pinto's opinions are unrelated to the summary judgment ruling and still relate to Oracle's damages. Garmus is only moot if Defendants choose to withdraw him, which they should do since their counsel directed him to rely upon facts contradicted by SAP TN's stipulation to "all liability on all claims." Dkt. 866 (Stipulation and Order).

Even if SAP does not withdraw Garmus, Garmus cannot testify contrary to the facts or the law. He does both. His testimony must also be relevant and helpful. It is not. Specifically, Garmus testifies to four opinions that fall well short of the *Daubert* standard.

Garmus' "use" opinion is not admissible. Garmus' main opinion is that Pinto should have excluded from his analysis Oracle software that was "not utilized by TN in the course of TN's business." Based solely on a carefully selected group of spreadsheets created by defense counsel, Garmus constructs a five-page listing of Oracle software that he opines TomorrowNow never "used," and which SAP's damages expert, Stephen Clarke, then relies on and extends to reduce SAP's proposed fair market value hypothetical license. This opinion must be excluded, because Garmus cannot testify:

- <u>Contrary to a Stipulation and Order of the Court.</u> The opinion contradicts the Trial Stipulation that SAP TN infringed all of the copyrighted software in suit.

- <u>Without sufficient factual basis or as a mouthpiece for counsel.</u> Garmus admittedly does so here.

- <u>Contrary to undisputed facts.</u> Garmus concedes he ignored key facts completely, because considering them was "beyond the scope of what [he] was assigned to do."

- <u>Contrary to the law.</u> Garmus excludes Oracle software and support materials that SAP TN admittedly copied claiming (wrongly) that SAP TN did not use them to service customers, a safe harbor that he invented and that appears nowhere in the Copyright Act.

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1   ***Garmus' new Function Point analysis is not admissible.*** Garmus' second opinion is an

2   admitted "academic exercise," which Garmus designed so it could not be compared apples-to-

3   apples with anything that Pinto did. Garmus tried to determine the size of two software modules

4   that Pinto never studied as part of his own opinion. In doing so, Garmus engaged in a different

5   function point analysis of a different set of data that, by definition, could not relate to any

6   "pertinent inquiry" as *Daubert* requires. Even if relevant, this new, non-responsive analysis comes

7   long after the deadline for affirmative opinions.

8   ***Garmus' hearsay endorsements are not admissible.*** Third, Garmus offers hearsay

9   endorsements of his opinions by a trade group, its "membership" and anonymous bulletin board

10   posters. Garmus cannot bootstrap his way to reliability or circumvent the rules of hearsay by

11   "testifying that other experts [if they can be called that], not present in the courtroom, corroborate

12   his views."

13   ***Garmus' legal conclusions on damages are not admissible.*** Fourth, Garmus offers the

14   bare conclusion that certain damages remedies are legally "not appropriate" for this case. Since he

15   is neither a damages expert, economist, or lawyer, his "opinion" about the appropriate remedy for

16   copyright infringement has no place in the case, even if he got it right (which he does not).

17   None of SAP's arguments turn any of these four opinions into admissible expert testimony.

18   Expert testimony (if not moot) must be relevant and reliable. Garmus' four opinions fall far short

19   on both accounts.

20   **II.   ARGUMENT**

21   Oracle's *Daubert* motion as to SAP's expert, David Garmus, established that his opinions

22   are contrary to the facts and the law. When the Court entered the Parties' Trial Stipulation in

23   which Defendants admitted full liability as to all claims, Garmus' opinions also became contrary

24   to a binding Stipulation and Order of the Court. Even if those opinions were not precluded by the

25   Trial Stipulation and Order, they fail the *Daubert* test for reliability and relevance.

26   **A.   Garmus' Opinions Might Be Moot, But Pinto's Are Not**

27   SAP's first argument in opposition is that the opinions of their expert, David Garmus, are

28   moot, because they only rebut "saved development cost" opinions SAP claim were excluded by the

1   August 17 Summary Judgment Order, Dkt. 762, ("MSJ Order"). Dkt. 829 (Def's. Opp. to Oracle's

2   Mot. No. 3 to Exclude Expert Test. of David Garmus) ("Opp.") at 3:22-28. SAP is half right.

3   Garmus' opinions may well be moot, because, among other reasons, his opinions are contrary to

4   SAP's liability admissions. However, the MSJ Order does **not**, as SAP contends, exclude Pinto's

5   opinions. It merely affects the use of certain of Pinto's opinions in Oracle's damages case. As a

6   result of the MSJ Order, Oracle will not seek the saved cost of software development as damages

7   for any claim, and therefore, to the extent Garmus' opinions seek to rebut such an award, those

8   opinions are moot. However, it does not follow that the rest of Pinto's opinions are no longer

9   relevant. Several of them were not even related to, much less addressed by, the MSJ Order. *See*

10 Dkt. 843 (Oracle's Opp. to Mot. to Exclude Pinto) at 2:6-23 & 9:12-11:9.

11   **B.   Garmus' Opinions And Testimony Regarding The Scope Of Oracle
                     Software Used By SAP TN – And Clarke's Reliance On Them –**
12   **Must Be Excluded[1]**

13   Garmus purports to identify Oracle software applications Pinto should have excluded from

14 his analysis, because they "were in fact not being used by TN." Dkt. 768 (Alinder Decl.) Ex. A

15 (Garmus Report) at 10-14. Not only was Garmus' listing of these software applications inexpert,

16 uninformed and contrary to the undisputed evidence, it also contradicts SAP's express stipulation

17 that SAP TN infringed each of Oracle's copyrights in suit. Dkt. 866 (Stipulation and Order). His

18 testimony is unreliable and inadmissible.

19   SAP defends these opinions by claiming (a) they rebut the "scope" of what Pinto analyzed

20 and valued, (b) Garmus reviewed sufficient materials to support his opinions, and (c) the

21 undisputed facts about the software that SAP TN copied is somehow irrelevant. Opp. at 9:7-18:2.

22 SAP further claims that Garmus' failure to consider undisputed facts and testimony that prove his

23 opinions wrong goes to weight, not admissibility. *Id.* at 16:9-17:2. None of these arguments

24 remotely succeeds.

25

26 ──────────────

27 [1] SAP addressed Oracle's *Daubert* arguments out of order from Oracle's motion. *See generally*
    Opp. Oracle addresses these arguments in their original order.

28

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1.   **Garmus' Testimony Is Contrary To The Trial Stipulation**

On September 9, all of the Defendants stipulated to SAP TN's complete liability for *all claims* including "liability on Oracle's claims for copyright infringement…." Dkt. 866 (Stip. and Order). Garmus' purported exclusions of software – contrary to the facts – therefore contradict the stipulation that Defendants made just a week ago. They cannot concede that SAP TN is liable for infringing all the Oracle software in suit, and then put on expert testimony claiming (wrongly) that SAP TN did not actually use that same software. Garmus' testimony must therefore be excluded, because it would violate the Trial Stipulation and Order. An expert cannot testify contrary to the stipulated facts. *See QR Spex, Inc. v. Motorola, Inc.*, 2004 WL 5642907, at *9 (C.D. Cal.).

2.   **Garmus Has No Expertise at All On The Scope Of Oracle Software Used By SAP TN**

SAP claims that Garmus' rebuttal opinion on the scope of SAP TN's use of Oracle software is proper, because it rebuts Pinto's valuation of entire Oracle software suites they infringed. Opp. at 9:7-10:19. Even if Garmus' opinion on what software SAP TN did and did not use were not contrary to the trial stipulation, it requires a factual basis, and Garmus has none. He admitted at deposition he has "no idea" what Oracle intellectual property SAP TN actually used. Alinder Decl., Ex. A (Garmus Depo.) at 92:2-4 ("I have no idea what TomorrowNow was using, or I have no -- I didn't talk to anybody from TomorrowNow."). Garmus simply "relied upon Jones Day" to inform him as to what software they thought SAP TN "would have needed to service its customers." Opp. at 11:8-9; *see* Alinder Decl., Ex. A (Garmus Depo.) at 91:25-93:6 & 284:8-286:4. He did not verify the accuracy of any of the data defense counsel provided. *See id.* at 200:1-17. Passing on the uncorroborated views of counsel, with the added imprimatur of a purported "expert," does not pass any test for admissibility, let alone *Daubert*.

Worse, Garmus admits he ignored the actual evidence of SAP TN's software copying and use, including (1) the thousands of software copies and millions of Oracle support material copies on SAP TN's computer systems, (2) the vast Oracle documentation libraries on SAP TN's computer systems, (3) the concessions SAP made in their answer and since in the pretrial statement about SAP TN's unlawful use of Oracle software, and, (4) the admissions of SAP TN's personnel,

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1   including its CEO, regarding the scope of use of Oracle software. *See id*. at 281:17-282:5; *see also*

2   Dkt. 767 (Oracle's Mot. to Exclude Garmus) ("Mot.") at 13-17. Examining actual evidence of

3   copying and use was "beyond the scope of what [Garmus] was assigned to do." *Id*.

4   SAP attempts to save Garmus by arguing, first, without factual support, that the

5   spreadsheets counsel provided Garmus were "comprehensive," and second, that "the facts

6   underlying his report have not been directly refuted." Opp. at 11:18-14:10. Both assertions are

7   false.

8
                    **a.   Garmus' Review Of Counsel-Selected Spreadsheets
9   Does Not Satisfy The *Daubert* Reliability Test**

10   First, the only support SAP provides for the claim that the spreadsheets counsel provided

11 were "comprehensive" are yet more vague conclusions from counsel. Opp. at 11:21-12:21

12 (counsel claiming the spreadsheets were "comprehensive lists of all the [software] for which TN

13 contracted to service or recorded in SAS as servicing"); *see also* Opp. at 13:8-15 (citing vague

14 testimony from Shelley Nelson about the SAS database generally, along with bare cites to three of

15 five spreadsheets Garmus relied on). SAP cites no testimony from any fact witness to support

16 counsel's claims that these spreadsheets are "comprehensive," apparently because counsel were the

17 only people with any knowledge as to their creation. *See id*. SAP cannot call their own counsel as

18 witnesses to testify as to purported "facts" they selectively culled from their client's SAS database,

19 and SAP cannot use Garmus as an uncritical mouthpiece to do so for them, parroting "facts" that

20 he admits he knows nothing about:

21   Q.   Are you aware of whether those four spreadsheets were derived from
               TomorrowNow's SAS database?
22
         A.   I have no idea how they were derived.
23
         Q.   So you've never accessed TomorrowNow's SAS database?
24
         A.   I never touched anything at TomorrowNow or SAP or Oracle.
25

26 Alinder Decl., Ex. A (Garmus Depo.) at 100:7-14; *see, e.g., Brace v. U.S.,* 72 Fed. Cl. 337, 352

27 (Fed. Cl. 2006) ("Rule 703 was not intended to abolish the hearsay rule and to allow a witness,

28 under the guise of giving expert testimony, to in effect become the mouthpiece of the witnesses on

                                        5   No. 07-CV-01658 PJH (EDL)

1   whose statements or opinions the expert purports to base his opinion.") (citations omitted).

2   SAP also fails to distinguish the cases Oracle cites precluding such non-expert mouthpiece

3   testimony – *Sommerfield v. City of Chicago*, 254 F.R.D. 317, 322 (N.D. Ill. 2008) and *Crowley v.*

4   *Chait*, 322 F. Supp. 2d 530, 542, 546 (D.N.J. 2004). SAP attempts to differentiate these cases,

5   arguing that the experts there relied on documents or summaries created by counsel in which the

6   attorneys had been "selective" in what was included. Opp. at 13:21-14:1. But that is exactly what

7   occurred here. *See* Mot. at 10-12. As SAP's own case, *Lyman v. St. Jude Med. S.C., Inc.*, 580 F.

8   Supp. 2d 719, 726 (E.D. Wis. 2008) holds: "Wilson [the expert] should have independently

9   verified the reliability of the data before opining on plaintiffs' future sales, as opposed to accepting

10   it at the word of St. Jude's counsel." *Id.* at 726-27. Like in *Lyman*, Garmus did not verify the

11   reliability of any data; instead he simply "relied upon Jones Day." Alinder Decl., Ex. A (Garmus

12   Depo.) at 200:1-17 & 284:8-286:4.

13   b.   **The "Facts" Garmus Relies On Are Wrong**

14   Second, the "facts" Garmus relies on (as provided by counsel) have been so thoroughly

15   refuted that Defendants have stipulated they are wrong. Dkt. 866 (Stip. and Order). They admit

16   SAP TN infringed the copyrights in <u>all</u> of the Oracle software alleged – including all of the

17   software on Garmus' list. *See id.* Experts cannot rely on facts not supported by the record. Mot.

18   at 6:16-7:4; 18:5-19:1 (citing, e.g., *QR Spex, Inc. v. Motorola, Inc.*, 2004 WL 5642907, at *9 (C.D.

19   Cal.)). SAP attempts to distinguish *QR Spex* on the ground that in that case, the expert relied on

20   "facts [which] were thereafter directly contradicted." Opp. at 14. The same is true here – even if

21   the wealth of evidence available (but ignored by Garmus) at SAP TN regarding the vast array of

22   Oracle software on their systems were not enough, the purported "facts" supporting Garmus'

23   opinions have now been directly contradicted by the undisputed facts and the stipulation of the

24   Parties. *See* Dkt. 745 (Joint Pretrial Statement) at 24-25, Undisputed Facts ¶¶ 68-91; *see also* Dkt.

25   866 (Stip. and Order). *QR Spex* is on point, and establishes that Garmus' testimony must be

26   excluded due to his reliance on "facts" that have now been proven wrong. *See also Andrews v. E.I.*

27   *Du Pont De Nemours and Co.*, 447 F.3d 510, 513 (7th Cir. 2006) (expert testimony excluded under

28   *Daubert* because expert based his calculations on data from the wrong highway ramp); *Playtex*

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1   *Products, Inc. v. Georgia-Pacific Corp.*, 390 F.3d 158, 167-68 (2d Cir. 2004) (in trademark

2   infringement case, disregarding expert testimony where expert analyzed wrong mark), *superseded*

3   *by statute on other grounds.*

4   **3.   Garmus' Opinions Are Also Contrary To Copyright Law**

5   Even if the spreadsheets counsel provided had been verified by Garmus and truly

6   "comprehensive," the resulting testimony that Garmus seeks to provide would still be inadmissible

7   and contrary to copyright law. According to SAP, Garmus did not need to have any knowledge of

8   the software copies that SAP TN actually made and used – that evidence is "irrelevant" in their

9   view. Opp. at 14:16-16:6. Not so. Garmus' testimony seeks to rebut copyright damages. It is

10   elementary that "use" for purposes of copyright law includes *all* of the <u>copies</u> that SAP TN

11   actually made of Oracle software, not just those copies that SAP TN would have most needed to

12   service some of its customers (according to its counsel). *See, e.g., Wall Data, Inc. v. Los Angeles*

13   *County Sheriff's Dept*., 447 F.3d 769, 775 n.3, 786-87 (9th Cir. 2006) (upholding damages award

14   based on 3,962 infringing software copies where the evidence showed that some of these copies of

15   the "software would remain installed, but unused" in the defendant's workstations); *see also* 17

16   U.S.C. § 106. SAP doesn't get a free pass on copying, merely because in the hypothetical

17   constructed by counsel and delivered to Garmus, it claims it really didn't need those copies for its

18   operations. *See id*. SAP took the software it took and made the copies it made. The fact that it

19   may have taken more than it needed is not a defense. Allowing SAP to exclude software copies

20   from the copyright value of use, as SAP seeks to do through Clarke's reliance on Garmus, deprives

21   the victim of infringement a complete remedy. *See id*; *see also, Nationwide Transport Finance v.*

22   *Cass Information Systems, Inc*., 523 F.3d 1051, 1055-64 (9th Cir. 2008) (affirming preclusion of

23   expert testimony that was based on "erroneous or inapplicable legal theories" in part because it

24   "may confuse or mislead the jury").

25
               4.   Testimony Contrary To The Facts And Law Are Not
26   **Admissible, And Do Not Just "Go To The Weight"**

27   The flaws in Garmus' testimony are too deep to simply "go to the weight not

28   admissibility," as SAP proposes. Opp. at 16:9-17:2. Garmus admits he has no basis to testify to

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1 what SAP TN used, and an expert cannot just take counsel's word for it. *See Lyman v. St. Jude*

2 *Medical S.C., Inc.,* 580 F. Supp. 2d 719, 726 (E.D. Wis. 2008). An expert also cannot testify

3 contrary to the law. *See Regents of Univ. of California v. Monsanto Co.*, 2006 WL 5359055, at *1

4 (N.D. Cal.); s*ee also* Sec. II.B.3. above. Finally, an expert cannot testify in disregard of, and

5 contrary to, the facts. *See*, *e.g.*, *Guidroz-Brault v. Mo. Pac. R. Co.*, 254 F.3d 825, 830-31.

6 Garmus' opinions are "fundamentally unsupported" by "the relevant facts of the case" and "should

7 not be admitted." *Nebraska Plastics, Inc. v. Holland Colors Americas, Inc.*, 408 F.3d 410, 416

8 (8th Cir. 2005); *QR Spex, Inc. v. Motorola,* 2004 WL 5642907, *9-10 (C.D. Cal.) (opinion

9 "founded upon nothing more than [expert's] own conjecture and speculation, simply fails to meet

10 the test for reliability set forth in Rule 702"). Each of these defects is fatal, requiring exclusion of

11 his proposed testimony.

12 The string cite of cases that SAP cites – *e.g. Hemmings v. Tidy-Man's Inc.,* 285 F.3d 1174

13 (9th Cir. 2002) and *Bazemore v. Friday*, 478 U.S. 385 (1986) – are at best inapposite, and in many

14 respects support Oracle. Opp. at 16:14-17:2. These cases do not concern a situation where an

15 expert seeks to testify in direct conflict with undisputed facts. *See id*. Further, even SAP's cases

16 recognize that an "[expert's] analysis may be so incomplete as to be inadmissible as irrelevant."

17 *Hemmings,* 285 F.3d at 1188 (quoting *Bazemore*).[2] Here, Garmus' opinions are contrary to the

18 undisputed facts, and he concedes that he is ignorant of the facts of what SAP TN actually used –

19 he ignored that evidence because it was beyond what he was assigned to do. *See* Dkt. 866 (Stip.

20 and Order); *see also* Dkt. 745 (Joint Pretrial Statement) at 24-25, Undisputed Facts ¶¶ 68-91; *see*

21 *also* Alinder Decl., Ex. A (Garmus Depo.) at 281:17-282:5. The defects in Garmus' testimony are

22

23 [2] The remainder of SAP's string cite of cases are similarly inapposite. *See Jones v. Otis Elevator
24 Co.*, 861 F.2d 655, 662-663 (11th Cir. 1988) ("relevant testimony from a qualified expert is
admissible only if the expert knows of facts which enable him to express a reasonably accurate
25 conclusion as opposed to conjecture or speculation."); *Microfinancial, Inc. v. Premier Holidays
Int'l, Inc.*, 385 F.3d 72, 81 (1st Cir. 2004) (not clear error to admit expert testimony where expert
26 relied on some but not all available information, with no discussion of the admissibility of expert
opinion based upon admittedly wrong information); *EEOC v. Morgan Stanley & Co.*, 324 F.
27 Supp. 2d 451, 458-60 (S.D.N.Y. 2004) (holding that allegations of incomplete expert analysis go
to weight, but not discussing effect of admittedly wrong expert opinion).

28

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1 not a matter of credibility or competing facts; they render his opinions unreliable, unhelpful and

2 inadmissible.

3

4   5.   **Garmus' Improper Opinions Also Cannot be Used By SAP's Damages Expert, Stephen Clarke**

5   SAP's damages expert, Clarke, relies on Garmus' (really, Jones Day's) erroneous and

6 unreliable software exclusion to reduce Oracle's damages. *See* Dkt. 781 (Oracle's Mot. to Exclude

7 Clarke) at 11:6-16; n.11. SAP cannot launder Garmus' inadmissible opinions through Clarke. *See,*

8 *e.g., McNamara v. Kmart Corp.*, 2010 WL 1936268, at *4 (3d Cir.) ("Because McKenzie [the first

9 expert] was not permitted to testify about these expenses, Johnson's testimony [the second expert],

10 which was dependent on McKenzie's, was also properly excluded.").

11   SAP first tries to limit Clarke's exposure, by downplaying how much he relies on Garmus,

12 arguing that "Clarke's reliance on Garmus is limited to providing a high level critique of Meyer's

13 cost approach." Opp. at 17:19-20. But Clarke's report and testimony are clear – he relies directly

14 and solely on Garmus' flawed opinions to tell him what TN "used" in criticizing Meyer's value of

15 use damages number, and in reducing his own. Alinder Decl., Ex. B (Clarke Report) at ¶ 3.7.3.

16 (stating in the section titled "Value of Use" that "[B]ased on information provided by Mr. David

17 Garmus, it was not necessary for TomorrowNow to have access to the entirety of Oracle's software

18 …. Based on Mr. Garmus' report, Mr. Meyer's Value of Use should incorporate an adjustment to

19 allow for the lack of access to those portions of Oracle's software that TomorrowNow did not

20 actually support."). Clarke then reinforces that his reliance on Garmus extends to all measures of

21 damages, not just the cost approach as SAP claims in their opposition:

22   Furthermore, as Mr. Garmus reports, (later) the Subject IP
23   TomorrowNow used did not include the entire suite of software at
               issue. To the extent the Subject IP was only a subset of the software
24   at issue, Mr. Meyer should have reduced his Value of Use **for all**
               approach measures (i.e., market, income and cost) accordingly.
25

26 *Id*. at ¶ 6.2 (emphasis supplied); *cf*. Opp. at 17:19-20. Clarke's reliance on Garmus is broad, and

27

28

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1   those opinions are no more admissible from Clarke than they are from Garmus. *See McNamara*,

2   2010 WL 1936268, at *4.[3]

3   SAP next tries to explain away Clarke's reliance as merely a battle over interpretation of

4   facts. Opp. at 17:23-18:2. But Garmus concedes he has no factual basis, so there can be no battle.

5   Alinder Decl., Ex. A (Garmus Depo.) at 92:2-4 ("I have no idea what TomorrowNow was

6   using…"). The case that SAP relies on, *Micro Chem., Inc. v. Lextron, Inc.*, 317 F.3d 1387 (Fed.

7   Cir. 2003) helps make this point. That case holds that competing experts may properly rely on

8   **competing sets of facts**. *See id.* at 1392. The "facts" that Garmus and Clarke rely on are not

9   "competing;" they are not facts. They are merely hypothetical facts, constructed by litigation

10 counsel and provided to an expert in the hope that if they are repeated enough, they will be

11 believed. *Compare* Dkt. 768 (Alinder Decl.) Ex. A (Garmus Report) at 10-14, *with* Dkt. 866 (Stip.

12 and Order). *Micro Chem.* does not stand for the proposition that a court should admit expert

13 testimony based on assumed "facts" that are contrary to the real ones – no case does.

14   **C.**   **Garmus' New Function Point Counts Should Be Excluded As An Irrelevant "Academic Exercise" Or An Undisclosed Affirmative**

15   **Opinion**

16   Garmus' function point count "exercise" is either irrelevant or an untimely and improper

17 affirmative opinion. It should be excluded either way. SAP responds that Garmus' attempt to

18 introduce new function point counts in rebuttal are proper, because they (a) demonstrate the correct

19 process for function point analysis, and (b) are not affirmative opinions, as they rebut evidence on

20 the "same subject matter." Opp. at 18:3-21:18. Both arguments fail.

21   **1.**   **Garmus' Function Point Counts Are Not Relevant And Would Not Assist The Trier Of Fact**

22

23   SAP first attempts to show relevance by asserting that Garmus' counts of admittedly

24 [3] Nor can SAP rely on their other rebuttal expert, Donald Reifer, for this support. Contrary to

25 Garmus and Clarke, Reifer in his only prior testimony agreed with Oracle's Pinto that for a "value of use" damages analysis, the proper measure was to count all of the code that was copied, not

26 just the code that the defendants purportedly "used." Alinder Decl., Ex. C (Reifer Evolution Depo.) at 42:3-25 (testifying that even if the defendants had only used two of the 9,962 lines of

27 code included in his valuation, Reifer would not change his valuation analysis, because you have to "value the entire product.").

28

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1   irrelevant software modules "provide an example to the Court and the jury of what steps would

2   have been included in a proper [function point analysis], in comparison to Pinto's faulty

3   approach." Opp. at 18:16-18. But, by SAP's own design, Garmus' conclusions cannot be

4   compared with anything Pinto did. That is because Garmus expressly decided **not** to count any of

5   the applications **relevant** to the Pinto Report. Alinder Decl., Ex. A (Garmus Depo.) at 39:8-10.

6   Because Garmus concedes that he did not count anything relevant, he testified that these counts

7   were purely "academic exercises." *Id*. at 37:12-18. He further admitted that his exercises did not

8   address the costs of software development at all, or any other factor relevant to the *Georgia Pacific*

9   analysis, as required under the *Daubert* standard. *Id*. at 55:13-22; *Daubert v. Merrell Dow*

10   *Pharmaceuticals, Inc.,*, 43 F.3d 1311, 1320 (9th Cir. 1995) ("Rule 702's 'helpfulness' standard

11   requires a valid scientific connection to the pertinent inquiry as a precondition to admissibility.").

12   His opinions are therefore irrelevant and inadmissible twice over.

13
                        2.   Garmus' Function Point Counts Are Also Improper
14   **Affirmative Opinions**

15   A rebuttal expert "must restrict [his] testimony to attacking theories offered by the

16   adversary's experts," something that Garmus admittedly failed to do here. *IBM Corp. v. Fasco*

17   *Industries, Inc*., 1995 WL 115421, at *3 (N.D. Cal.); *accord In re Ready-Mix Concrete Antitrust*

18   *Litig.*, 261 F.R.D. 154, 159 (S.D. Ill. 2009) (rebuttal report must rebut, not offer affirmative

19   opinions). If there is any relevance at all to these new function point counts, they are plainly

20   affirmative opinions, and therefore inadmissible. Mot. at 19:18-22:7.

21   SAP claims the opinions are proper rebuttal, because they are "on the same 'subject

22   matter'" as Pinto. Opp. at 19:4-19. Not so. As established above and in the opening brief,

23   Garmus conceded during his deposition that these counts were intentionally designed not to rebut

24   Pinto, but to count different software completely. *See* Mot. at 20; *see* sec. II.C.1. above. Further,

25   Garmus' counts stop at the half-way point – only deriving a size for the software, not a cost of

26   development. *See* Mot. at 20:15-20. Thus, Garmus' two hand-count exercises relate to the same

27   "subject matter" as Pinto's software cost analysis only in the sense that both relate to Oracle

28   software. SAP's claim of the same "subject matter" here is like stating that expert analysis on the

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1 *size* of Microsoft Excel is relevant to rebut the *cost* of developing Microsoft Word. They are

2 apples and oranges. Garmus' non-responsive "academic exercises" would at best mislead the jury.

3 *See* Alinder Decl., Ex. A (Garmus Depo.) at 37:12-18.

4
        D.   Garmus' Claimed Opinions on Behalf Of IFPUG And Its
5   **Membership Should Be Excluded**

6   Garmus tries to bootstrap his way to reliability by claiming that the International Function

7 Point User's Group ("IFPUG"), its "membership" (as a monolithic group), and eight anonymous

8 web posters "agree" with him and not Pinto. Dkt. 768 (Alinder Decl.) Ex. A (Garmus Report) at

9 17-21. SAP even briefly agrees that these opinions are improper: "[E]xperts generally are not

10 permitted to testify that some other individual—such as the hypothetical IFPUG member proposed

11 by Plaintiffs—'corroborated' or approved that experts opinions." Opp. at 7:3-6 (citing *U.S. v.*

12 *Grey Bear*, 883 F.2d 1382, 1392-93 (8th Cir. 1989)). This is exactly what Garmus attempts to do

13 here.

14   SAP attempts to save these opinions in two ways, first by recasting them as opinions on

15 "industry standards," and second by distinguishing them from *Grey Bear* on the ground that his

16 statements were made on behalf of an "organization," rather than an "individual." Opp. at 5:16-

17 7:19. Neither attempt succeeds.

18   First, as to their argument that Garmus merely opines about "industry standards" (Opp. at

19 5:16-18), Garmus' own words betray them. He opines repeatedly that "IFPUG does not agree" and

20 that the "IFPUG membership does not agree" with Pinto. Dkt. 768 (Alinder Decl.) Ex. A (Garmus

21 Report) at 17-21. He also cuts and pastes directly into his report eight anonymous bulletin board

22 postings from purported IFPUG members he claims corroborate his views on backfiring. *See id*.

23 None of those are statements of "industry standards," but hearsay statements of anonymous,

24 potentially fictitious individuals or groups that Garmus uses to improperly bolster his own

25 credibility at Pinto's expense. Accordingly, they are unreliable, misleading and inadmissible. As

26 *Grey Bear* holds, an expert cannot "circumvent the rules of hearsay by testifying that other experts,

27 not present in the courtroom, corroborate his views." *U.S. v. Grey Bear*, 883 F.2d 1382, 1392-93

28 (8th Cir. 1989); *see also Kilgore v. Carson Pirie Holdings, Inc*.,, 2205 Fed. Appx. 367, 371-72 (6th

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1   Cir. 2006) (finding internet article an unreliable basis for opinion where expert did not know what

2   research methodology the article was based on and conducted no independent research).[4]

3   Second, SAP's attempt to distinguish *Grey Bear* strains credulity. SAP argues *Grey Bear*

4   is "irrelevant" here, because Garmus seeks to testify on behalf of an "organization," and not an

5   "individual." Opp. at 6:16-26. Putting aside the fact that Garmus **also** seeks to testify on behalf of

6   anonymous individuals who posted comments on the IFPUG bulletin board (Dkt. 768 (Alinder

7   Decl.) Ex. A (Garmus Report) at 17-20), SAP does not even attempt to explain why it should make

8   a difference whether an expert seeks to import hearsay of individuals or a group of them. Opp. at

9   6:20-26. SAP cites no authority for this proposition, nor can they. SAP instead argues that "[i]t

10   entirely defeats the purpose of expert testimony to require legions of experts to 'approve' or

11   double-check testifying experts' opinions." Opp. at 7:6-7. But that simply makes Oracle's point.

12   Oracle does not suggest that Garmus needs other experts to "approve" his opinions. Quite the

13   opposite, Garmus may only testify to his own opinions, not those of individuals or groups who are

14   outside of court, have never been deposed, nor even identified. These opinions must be excluded

15   as a result.

16   **E.   Garmus' Improper Legal Conclusions Should be Excluded**

17   Garmus is admittedly not an expert in "damages," "copyright," or "avoided costs," and thus

18   has no basis for his opinion that "determining the cost for independently developing the four

19   underlying application suites is not appropriate." *See* Mot. at 23:18-24:4. *See also* Alinder Decl.,

20   Ex. A (Garmus Depo.) at 60:4-12 & 213:19-214:24 & Dkt. 768 (Alinder Decl.) Ex. A (Garmus

21   Report) at 1, 26. Even if he were somehow qualified to render any damages opinion (though he's

22

23   ――――――――――――――――
     [4] In arguing otherwise, SAP cites *IBM Corp. v. Fasco Indus., Inc.*, 1995 WL 115421, at *3 (N.D.
24   Cal.). This case supports Oracle, as it holds the expert must "restrict [his] testimony to attacking
     the theories offered by the adversary's experts" and may not "put forth [his] own theories." *Id.*;
25   Mot. at 20-22. Further, another case cited by SAP, *Clicks Billiards*, does not stand for cited
     proposition – that this issue goes to the weight of Garmus' testimony, not to determining its
26   admissibility. *See Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1262-63 (9th Cir.
     2001). It did not even involve a *Daubert* challenge, but instead holds "it is not the role of a
27   district court at the summary judgment stage" to determine whether a jury would agree with an
     expert's conclusions. *Id*. It is inapposite.
28

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1   not), his "opinion" about the appropriate remedy for copyright infringement is simply a legal

2   conclusion, and an incorrect one at that. *See Hebert v. Lisle Corp.,* 99 F.3d 1109, 1117 (Fed. Cir.

3   1996) ("We encourage exercise of the trial court's gatekeeper authority when parties proffer,

4   through purported experts, not only unproven science, [citation to *Daubert* omitted], but markedly

5   incorrect law. Incorrect statements of law are no more admissible through 'experts' than are

6   falsifiable scientific theories.").

7   SAP claims that Garmus does not opine "about the meaning of any legal term or standard,"

8   but "merely offers his opinion as to whether any reasonable estimator would have estimated the

9   cost for entire software suites given the facts at hand." Opp. at 23:8-10. Though SAP's own

10 expert, Reifer, would take issue with that proposition (*see* n. 3 above), Garmus did not so limit his

11 opinions, and thus runs afoul of the *Daubert* standard.[5] Garmus argues it is "not appropriate" to

12 measure damages by estimating what it would have cost SAP TN to develop the products it

13 infringed. Dkt. 768 (Alinder Decl.) Ex. A (Garmus Report) at 1, 26. This is a legal conclusion,

14 and SAP's cited case proves the point. The expert in *Hangarter* opined that the defendant insurer's

15 "letter terminating [plaintiff's] benefits was misleading, deceptive, and fell below industry

16 standards as it incorrectly advised [plaintiff] about her rights under [her disability] policy."

17 *Hangarter v. Provident Life and Accident Ins. Co.*, 373 F.3d 998, 1010, 1016 (9th Cir. 2004). This

18 factual determination allowed the jury to make the ultimate finding that the plaintiff's benefits

19 were terminated in bad faith. *See id.* However, the Court further ruled that the expert would not

20 have been allowed to opine on the ultimate legal issue of bad faith, as "instructing the jury as to the

21 applicable law is the distinct and exclusive province of the court." *Id*. at 1016 (citations omitted).

22 This is precisely what Garmus seeks to do here. His report contains his opinions on the

23 "appropriate" measure of damages in this case, though he is admittedly unqualified to give such

24 opinions and though this is a question of law.

25

26 [5] SAP also falsely claims Oracle somehow cites a misleading fragment of Garmus' report. Opp.
27 at 21:26-22:6. In fact, the larger fragment quoted by SAP only further demonstrates that Garmus
    seeks to testify on the appropriate measure of damages, something he is not qualified to do.

28

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1   SAP's attempts to distinguish Oracle's cases – *Crow Tribe of Indians v. Racicot*, 87 F.3d

2   1039, 1045 (9th Cir. 1996) and *Regents of Univ. of California v. Monsanto Co.*, 2006 WL

3   5359055, at *1 (N.D. Cal.) – also fail. Opp. at 22-23. SAP claims these cases do not apply

4   "because they all discuss experts testifying about the meanings of legal terms or the applicability of

5   legal standards." *Id* at 22:23-24. And indeed, Oracle cited them for this proposition, because that

6   is what Garmus does. He opines about a measure of copyright damages and claims that it is not

7   appropriate in this case. Dkt. 768 (Alinder Decl.) Ex. A (Garmus Report) at 1, 26. Whether a

8   damages measure is appropriate is a legal conclusion, not the proper subject of opinion testimony

9   (especially from an admitted non-expert in damages like Garmus). *See* Alinder Decl., Ex. A

10   (Garmus Depo) at 60:10-12 ("Q. Do you hold yourself out as being expert in damages? A. No.").

11   The Court should exclude it as well.

12   **III.   CONCLUSION**

13   The Court should grant Oracle's motion to exclude Garmus' four inadmissible opinions and

14   related testimony, including from SAP's other experts, like Clarke, who rely on them.

15

16

17   DATED: September 16, 2010   Bingham McCutchen LLP

18
                                                 By:_____/s/ Zachary J. Alinder_____
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20   Oracle USA, Inc., *et al*.

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