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October 18, 2010

Hon. Elizabeth D. Laporte
Magistrate Judge
United States District Court, Northern District of California
Courtroom E, 15th Floor
450 Golden Gate Avenue
San Francisco, CA 94102

Re: *Oracle v. SAP* - USDC Northern District Case No. 07-CV-01658 PJH (EDL)

Your Honor:

Attached is the parties' joint letter brief to Magistrate Spero with objections and arguments as to certain listed trial witnesses. Per Magistrate Spero's instruction and the parties' agreement, we file this letter as our formal cross-motion papers. Though we are scheduled for further discussion with Magistrate Spero this week, per Magistrate Spero's instruction we ask Your Honor for a date prior to the November 1 trial start date for a telephonic or in-person hearing to argue these cross-motions in the event that the issues are not resolved by then.

Sincerely yours,

Holly A. House

Enclosure

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October 8, 2010

Via Electronic Delivery

The Honorable Joseph C. Spero
United States District Court
Courtroom A, 15th Floor
450 Golden Gate Avenue
San Francisco, CA 94102

Re: *Oracle USA, Inc., et al. v. SAP AG, et al.*, Case No. 07-CV-1685

Your Honor:

The parties have objections to certain witnesses on each other's witness lists. Because of her unavailability over the next few weeks, Judge Hamilton has ordered the parties to first attempt to resolve the issue with Your Honor informally. If motion practice is required, the parties are to file with Judge Laporte. Dkt. 914 (Final Pretrial Order) at 5:2-6. The parties jointly request a telephone conference with Your Honor after you have reviewed the parties' respective positions set forth below.

Oracle's Objection to SAP Proposed Witnesses Carey, Kobliska, McCloskey, Shander, and Subramanian

SAP has confirmed its intention to call live at trial five SAP employee witnesses whom SAP did not disclose in any of its Initial Disclosures or supplements to them, including its final November 25, 2009 Third Revised Initial Disclosures, but did identify the witnesses' names (among others) in interrogatory responses submitted during discovery. Oracle has objected to these witnesses.

***Oracle's Position*:** Rule 26(a)(1)(i) required SAP to long ago provide the names and descriptions of witnesses SAP "may use to support its claims or defenses." Because SAP never included these witnesses in its disclosures, Oracle neither selected them as custodians whose documents were produced nor deposed them. If the Court allows them to testify at trial, Oracle would be crossing them blind and without their documents.

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SAP relies (as described below) on the inclusion of these witnesses' names among the hundreds of entries provided in SAP's initial or supplemental responses to Oracle Interrogatory No. 6, which sought the names of all SAP sales personnel associated with any attempt to sell SAP products to SAP TN customers. (Copies of SAP's voluminous initial and supplemental responses to Interrogatory No. 6 are attached as Exhibits A and B.) That reliance is misplaced. SAP's interrogatory responses do not solve the problem because SAP's five trial witness were buried among *hundreds* of names listed in the response for a different purpose and were still never disclosed as witnesses SAP "may use to support its claims or defenses." SAP's cases are easily distinguishable on this ground. In *In re First Alliance Mortg. Co*. 471 F.3d 977, 999-1000 (9th Cir.,2006), defendants had been timely provided a "complete witness list" and also knew of the witnesses' identities independently. Here, the witnesses' identities were concealed by identifying them among hundreds of non-witnesses. In *Hazle v. Crofoot*, 2010 U.S. Dist. LEXIS 70390, (E.D. Cal. June 17, 2010), plaintiff's main damages theory was emotional distress, and his response to an interrogatory asking who would have information regarding his emotional distress identified the six individuals (close family and friends) defendants sought to exclude. The six witnesses on the key issue were not buried among hundreds of others.

SAP's argument that disclosure through interrogatory responses is sufficient is particularly brazen in light of the history and prior rulings in this case. As Your Honor is aware, SAP successfully argued to Magistrate Laporte that Oracle could not pursue certain lost profits claims or introduce certain lost profits evidence at trial despite Oracle's Spring 2009 supplementation of its initial disclosures and provision of voluminous testimony and documents on the specific topics *18 months* prior to trial. To paraphrase SAP's previous position, Initial Disclosures that "disclose[ ] nothing at all about [defendants'] specific [trial witnesses] … fall[ ] far short of Rule 26's requirements" and "far short of [their] obligation to supplement [their] disclosures as discovery progresses." Dkt. 399 (SAP's Reply in Support of Rule 37 Mo.) at 8:11-22; *see also id.*, at 9-10 (criticizing Oracle for making disclosures in interrogatories directed at a different issue. Magistrate Laporte accepted SAP's arguments. *See*, *e.g.*, Dkt. 482 (Magistrate Laporte's Rule 37 Order) at 5:21-6:13. (Copies of SAP's Reply and Magistrate Laporte's Order are attached as Exhibits C and D.)

As review of the past Rule 37 briefs and Magistrate Laporte's decision makes clear, the issue raised by SAP regarding Oracle's damages disclosures did *not*, as SAP claims now, concern only failure "to provide certain information in *any* form." Rather, Oracle pointed to its extensive provision of material in various pieces of discovery responses and depositions, including interrogatory responses. Magistrate Laporte, however, specifically found these discovery disclosures in

Spring 2009 to be "too little, too late," *see* Dkt. 482 (Exhibit D) (Magistrate Laporte's Rule 37 Order) at 18:2-15, exactly the situation now (only worse) with SAP's five witnesses. Having complained about the inadequacy of that discovery to stand in for formal disclosures, SAP should not now be permitted to proceed by a different standard.

SAP does not and cannot justify its failure to disclose the five witnesses or demonstrate the failure is harmless to Oracle. Under Rule 37, SAP should not be allowed to present the witnesses' testimony at trial.[1]

SAP's Position: SAP has fully complied with its obligations under Rule 26 with respect to these witnesses. Plaintiffs have known for many months that these witnesses have relevant information about specific subject matters germane to this case. Four of the five (Carey, Subramanian, McCloskey and Kobliska) were disclosed to Plaintiffs two years ago, on October 7, 2008.[2] The fifth, Mr. Shander, was disclosed one and a half years ago, on May 22, 2009.[3] All of them were disclosed months before the December 4, 2009 discovery cut off. Plaintiffs' interrogatories required Defendants to disclose the identities of sales personnel who were involved with Defendants' sales to customers at issue in this case. Defendants' responses identified those sales personnel by name and the corresponding customers. *Id.* Plaintiffs took no steps to obtain follow up discovery about any of the sales personnel identified in Defendants' interrogatory responses, including these five. Plaintiffs' claim that it would have taken further discovery if only Defendants had cut and pasted the same list of sales personnel

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[1] SAP's inclusion of these five witnesses on its witness list also ignores Judge Hamilton's admonition at the Pre-Trial Conference that the parties should be severely cutting back even properly disclosed witnesses. *See* Exhibit E (Excerpts of Transcript of September 30, 2010 Pre-Trial Conference) at 63:6-16.

[2] *See* Defendant TomorrowNow, Inc.'s First Amended and Supplemental Responses to Plaintiff Oracle Corp.'s Third Set of Interrogatories and SAP America, Inc.'s and SAP AG's First Amended and Supplemental Responses to Plaintiff Oracle Corp.'s Second Set of Interrogatories (Response to Interrogatory No. 6).

[3] *See* Defendant TomorrowNow, Inc.'s Third Amended and Supplemental Responses to Plaintiff Oracle Corp.'s Third Set of Interrogatories and SAP America, Inc.'s and SAP AG's Second Amended and Supplemental Responses to Plaintiff Oracle Corp.'s Second Set of Interrogatories (Response to Interrogatory No. 6).

into a supplemental initial disclosure is not credible.[4] Plaintiffs have not demonstrated any prejudice resulting solely from the fact that Defendants did not take that ministerial step.[5]

Nor were Defendants required to cut and paste the names of the sales personnel into a supplemental initial disclosure. Under FRCP 26(e)(1)(A), there is no requirement to supplement initial disclosures with information that Plaintiffs concede was "made known to the other parties during the discovery process or in writing." In *First Alliance Mortg. Co. v. Lehman Commercial Paper, Inc.*, 471 F.3d 977 (9th Cir. 2006) the Court affirmed the district court's ruling allowing testimony of witnesses "not specifically identified in the initial disclosures" and "not identified in supplement disclosures until after the official close of discovery (though still more than 60 days before trial began)." *Id.* at 1000. The Court held that the nondisclosure was of "little consequence" because the "complete witness list was provided to [the defendant] with ample time remaining under *Rule 26(a)(3)* . . . . [and the defendant] had knowledge of the identities of the potential witnesses in its possession without disclosure from the [plaintiffs]." *Id.* Similarly, in *Hazle v. Crofoot*, No. 2:08-cv-02295-GEB-EFB, 2010 U.S. Dist. LEXIS 70390 (C.D. Cal. June 17, 2010) the court denied the plaintiff's motion in limine to exclude testimony from six witness identified as trial witnesses in the Joint Pretrial Statement. *Id.* at *14. The identities and contact information of the six witnesses were disclosed in an interrogatory response asking for persons with knowledge of the facts underlying one of the claims. *Hazle v. Crofoot*, Plaintiff's Opposition to Defendants' Motion In Limine to Exclude Testimony of Plaintiff's Witnesses, No. 2:08-cv-02295-GEB-EFB, at *2-3 (C.D. Cal. June 4, 2010). Thus, the defendants "had actual notice of the identities of these witnesses, and therefore, Plaintiff's failure to disclose this information to Defendants in some other manner is 'harmless.'" *Hazle v. Crofoot*, 2010 U.S. Dist. LEXIS 70390, at *15.

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[4] All five witnesses were disclosed in Defendants' August 5 witness list as well, without objection from Plaintiffs.

[5] Plaintiffs complaint that the five witnesses at issue were "among the hundreds of entries provided in SAP's initial or supplemented responses to Oracle Interrogatory No. 6" rings hollow. Had Defendants cut and pasted the same list of sales personnel into their supplemental initial disclosures as Plaintiffs claim Defendants should have done, then the list of witnesses on Defendants' initial disclosures would have been even larger than the subset of witnesses contained in SAP's initial or supplemented responses to Oracle's very specific inquiry regarding Defendants' sales personnel that is contained in Oracle Interrogatory No. 6.

Plaintiffs' attempt to compare this issue with Judge Laporte's sanctions order fails. Judge Laporte sanctioned Plaintiffs for failing to provide damages related information not just in their Rule 26 disclosures, but in *any* form, including interrogatory responses, document request responses, meet and confer communications, and numerous discovery hearings with the Court. Plaintiffs' claim that they made "extensive provision" of the material in their discovery responses was expressly rejected by Judge Laporte, which is why those responses could not be considered an adequate substitute for Rule 26 disclosure. In fact, Judge Laporte found that Plaintiffs had expressly *refused* to provide the information, depriving Defendants of the opportunity to obtain relevant discovery. Here, by contrast, Plaintiffs requested and received the identities of these witnesses two years ago, had ample opportunity to take follow up discovery, and simply failed to do so.

SAP's Objection to Oracle Proposed Expert Witness Dr. Levy

***SAP's Position*:** In support of its *Daubert* motion seeking to exclude the testimony of Defendants' damages expert, Stephen Clarke, Plaintiffs submitted the declaration of its expert Dr. Daniel Levy on a subject for which Dr. Levy had never been disclosed under Rule 26. In response to Defendants' objection that these new opinions of Dr. Levy were untimely, Plaintiffs argued that Rule 26 does not apply to *Daubert* motions.[6] The Court overruled Defendants' objection, but also denied Plaintiffs' *Daubert* motion. What remains to be decided is whether Plaintiffs may offer the late testimony of Dr. Levy at trial.[7] It would be extremely prejudicial to permit this highly technical testimony without the protections of Rule 26. Under clear authority, the testimony should be excluded.

In his late declaration, Levy provides a complex, 32-page analysis espousing opinions related to regression analysis in the field of econometrics as purported sur-rebutal to Clarke's damages opinions. Plaintiffs concede that Levy did not disclose any of these opinions in his report (which pertained to completely

[6] *See* Dkt. 881 (Plaintiffs' Opposition to Defendants' Opposition to Declaration of Daniel Levy) at 3-4.

[7] Defendants reserved the right to object should Plaintiffs raise any of these new opinions at trial or in any other hearing or filing. Dkt. 838 (Defendants' Objections to the Declarations of Daniel Levy filed in Support of Plaintiffs' Motions to Exclude) at 2, n. 3.

separate subjects), provide them in any supplemental materials, or testify about them at his deposition. Plaintiffs did not even disclose him as an expert in the field of econometrics or on the topic of damages, and Levy expressly stated at his deposition that he was not offering opinions about damages.

Plaintiffs did not disclose these new opinions of Levy until: 276 days after the deadline to serve expert reports; 146 days after the deadline to serve rebuttal reports; 111 days after Dr. Levy's deposition; 76 days after Bruce Spencer's deposition (*i.e.*, Defendants' statistician, who rebutted the opinions for which Levy was actually designated); 70 days after Clarke's deposition; and 62 days after the close of expert discovery.

The rules require automatic exclusion of this evidence. If Plaintiffs wished to add new opinions, then Plaintiffs should have approached Defendants and the Court in the time period allowed and explained the need for such additional opinions. Plaintiffs should not, and cannot, be allowed to lay behind the log and suddenly spring forth wielding new expert opinions at trial.

Rule 26 requires parties to disclose the identity of each expert witness "accompanied by a written report prepared and signed by the witness." Fed. R. Civ. P. 26(a)(2)(B). The disclosures and the reports must be made "at the times and in the sequence that the court orders." Fed. R. Civ. P. 26(a)(2)(C). The report must contain: "(i) a complete statement of all opinions the witness will express and the basis and reasons for them; (ii) the data or other information considered by the witness in forming them; (iii) any exhibits that will be used to summarize or support them. . . ." In fact, Rule 26(a)(2)(B) "imposes an additional duty to disclose information regarding expert testimony sufficiently in advance of trial that opposing parties have a reasonable opportunity to prepare for effective cross examination and perhaps arrange for expert testimony from other witnesses . . . ." Fed. R. Civ. P. 26 Advisory Committee note (1993 Amendments) at ¶ 15.

Rule 37(c)(1) gives teeth to these requirements by forbidding the use of any information required to be disclosed by Rule 26(a) that is not properly disclosed. *See Yeti By Molly Ltd. v. Deckers Outdoor Corp*., 259 F.3d 1101, 1106 (9th Cir. 2001). Rule 37(c)(1) states: "If a party fails to provide information or identify a witness as required by Rule 26(a) or (e), the party is not allowed to use that information or witness *to supply evidence on a motion, at a hearing, or at a trial*, unless the failure was substantially justified or is harmless." Fed. R. Civ. P. 37(c)(1) (emphasis added). "The Advisory Committee Notes describe it as a 'self-executing,' 'automatic' sanction to 'provide[]a strong inducement for disclosure of material . . . .'" *Yeti*, 259 F.3d at 1106 *citing* Fed. R. Civ. P. 37 advisory committee's note (1993). The burden is on the party who failed to

disclose such information to show that an exception to automatic exclusion applies. *Yeti*, 259 F.3d at 1107.

In a very similar case, the Ninth Circuit addressed this issue and found that untimely disclosed expert opinions filed in a supporting declaration were properly excluded. *See Luke v. Family Care and Urgent Med. Clinics*, 323 Fed. Appx. 496, 498-499 (9th Cir. 2009) (affirming district court's exclusion of an expert declaration submitted by plaintiffs in opposition to defendants' summary judgment motion that presented a new theory on a key element of plaintiffs' claim). In *Luke*, the plaintiffs disclosed the expert declarations "more than three months after the deadline for initial expert disclosures and more than two months after the deadline for rebuttal disclosures." *Id.* at 499. Moreover, the declarations were submitted only ten weeks before trial and four days before the close of discovery. *See id.* As a threshold matter, the court found these declarations "were not timely under Rule 26(a)(2)(C)." *Id.* The court further concluded that no exception to the automatic exclusion provision applied as the plaintiffs did not show substantial justification or that the delay was harmless. *See id.*

Just as in *Luke*, all of the expert deadlines have passed, there are four weeks until trial, and discovery is already closed; there can be no dispute that Levy's new opinions are untimely, and there are no grounds for an exception to the automatic exclusion rule. Levy expressly disavowed during his deposition that he intended to offer damages opinions in this case, and now he is doing just that—offering damages opinions in this case. There is simply no justification for waiting until this late stage to raise these opinions.

This failure to disclose is harmful to Defendants. This is not an instance where an expert inadvertently failed to produce some tangential materials, or needed to briefly clarify existing opinions. These are entirely new opinions that require time, resources, and effort to fully evaluate; resources that even if it were possible, Defendants should not be required to expend on new expert opinions at this point in the case. If Levy's new opinions were timely made, Defendants would have had "a reasonable opportunity to prepare for effective cross examination and perhaps arrange for expert testimony from other witnesses evaluated . . . ." Fed. R. Civ. P. 26 Advisory Committee note (1993 Amendments) at ¶ 15. Defendants have been deprived of such opportunity. Plaintiffs should not be able to engage in such gamesmanship at this stage of the case. The Court should sustain Defendants objections and prohibit Levy from offering any opinions or testimony at trial related to damages.

***Oracle's Position*:** Dr. Levy's testimony is sur-rebuttal to SAP damages expert's use of a deeply flawed regression analysis to arrive at the unrealistically low

profits margins that Mr. Clarke uses in his Oracle lost profits and SAP infringer's profits analyses. Dr. Levy provided detailed declarations containing his criticisms in support of Oracle's opening and reply briefs to exclude Clarke's testimony. SAP objected to Dr. Levy's declarations because Oracle had not disclosed him as an expert against Mr. Clarke's regression analyses and because of claimed prejudice; Oracle's opposition explained that sur-rebuttal experts were not anticipated in the case schedule and demonstrated how SAP suffers no prejudice as Mr. Clarke's own declaration in response to Dr. Levy's shows SAP is able to understand and respond to Dr. Levy's criticisms. (Copies of SAP's Objections to Dr. Levy and Oracle's Response are attached as Exhibits F & G.) The Court denied SAP's Objections. Dkt. 914 (Final Pretrial Order) at 4:1-4. At the pre-trial conference, Judge Hamilton also denied SAP's motion *in limine* to exclude purportedly untimely sur-rebuttal testimony of Oracle's damages expert, indicating that, because the trial is on the clock and time is very limited, it is up to the parties to use their allotted time as they see fit. *See* Exhibit E (Transcript of Pre-Trial Conference) at 24:5-15 ("I'm going to allow it all in….I'm going to pretty much let you do whatever you want…. [S]o there's going to be a lot of self-editing of this material, and I trust that you'll do it in the way that you think best so it can all come in."] On this record, and based on the authorities included in Oracle's opposition to SAP's Objections, Oracle should be allowed to call Dr. Levy to explain to the jury the flaws he has detailed exist in Mr. Clarke's regression analyses.

Sincerely yours,

/s/ Holly A. House

/s/ Jason McDonell

cc: Greg Lanier, Esq.
Scott Cowan, Esq.