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UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA
 OAKLAND DIVISION

ORACLE USA, INC., *et al.*,

Plaintiffs,

v.

SAP AG, *et al.*,

Defendants.

No. 07-CV-01658 PJH (EDL)

**ORACLE'S MEMORANDUM OF
 POINTS AND AUTHORITIES IN
 OPPOSITION TO DEFENDANTS'
 MOTION TO EXCLUDE EVIDENCE
 RELATED SOLELY TO
 CONTRIBUTORY INFRINGEMENT**

1 **I. INTRODUCTION**

2 Defendants’ Motion to Exclude Evidence Related Solely to Contributory
3 Infringement (“SAP Mot.”) rests on three incorrect premises.

4 First, Defendants contend that Oracle is offering evidence “solely” related to
5 contributory infringement. To the contrary, other than a very limited amount of context
6 evidence, Oracle has removed all such evidence from its case (a significant volume, consisting of
7 hours of live and deposition testimony and at least dozens of documents that will now not see the
8 light of day). Those reductions will allow a slight further reduction in time – the second in the
9 space of a week, after the Parties stipulated and the Court ordered that each side would have 36
10 hours to present its case.

11 Second, Defendants contend that evidence of taking a risk of infringement
12 liability does not relate to the value the infringer places on the infringed work. To the contrary,
13 the *Georgia-Pacific* factors include this very category of evidence and other cases hold it
14 relevant to the calculation of a fair market value license. That only makes sense. If a defendant
15 takes the risk of knowing infringement, that tends to prove, indeed heighten, the value of the
16 intellectual property. Some of that evidence *also* – but not *solely* – relates to contributory
17 liability.

18 Third, evidence in support of the *Georgia-Pacific* factors that *also*, but not *solely*,
19 relates to contributory liability could not impose any prejudice because Defendants have
20 admitted that liability.

21 Excluding such obviously relevant fair market value evidence, which can impose
22 no prejudice, would prevent Oracle from meeting its burden on its chosen damages theory.

23 **II. ARGUMENT**

24 On two occasions, this Court recognized that the fair market value of use /
25 hypothetical license approach is a proper measure of Oracle’s actual damages. *See* MSJ Order
26 (Dkt. No. 628) at 3. There is no set formula for determining the value of the hypothetical
27 license: the jury is permitted to consider a wide spectrum of evidence in doing so. *See, e.g.,*
28 *Wall Data Inc. v. L.A. Cnty. Sheriff’s Dep’t*, 447 F.3d 769, 786-87 (9th Cir. 2006) (upholding

1 damages award where evidence supported a hypothetical number of infringing copies and
2 hypothetical unit price as nonspeculative); *Polar Bear Prods., Inc. v. Timex Corp.*, 384 F.3d 700,
3 709 (9th Cir. 2004) (upholding damages award based on an expert’s proffered “reasonable
4 production license fee”); *McRoberts Software, Inc. v. Media 100, Inc.*, 329 F.3d 557, 566-67 (7th
5 Cir. 2003) (upholding damages award that could have been based on a number of hypothetical
6 license consideration).

7 **A. Evidence Regarding Substantial Litigation Risk Is Relevant To**
8 **Oracle’s Damages**

9 Evidence of the value a defendant itself placed on the infringing activity at the
10 time the defendant undertook it is highly relevant to the fair market value / hypothetical license
11 analysis. *See, e.g., McRoberts*, 329 F.3d at 567 (reviewing evidence of “the value of . . . [the
12 relevant] software to [the infringer]” in upholding hypothetical license damages); *Interactive*
13 *Pictures Corp. v. Infinite Pictures, Inc.*, 274 F.3d 1371, 1384-85 (Fed. Cir. 2001) (affirming that
14 infringer’s sales projections are proper basis for assessing damages via hypothetical license);
15 *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1131 (S.D.N.Y. 1970) (“The
16 Court finds that GP would have been willing to pay a substantial royalty to USP in order to
17 obtain reasonably anticipated large profits without the risk of infringement liability.”), *aff’d as*
18 *modified*, 446 F.2d 295 (2d Cir. 1971). Evidence of a defendant’s willingness to proceed with
19 infringing activity in the face of substantial legal risks shows the defendant placed such a high
20 value on the rights it infringed – enough to risk both the expense of suit and the damages
21 (financial or otherwise) associated with infringement liability. *See Gyromat Corp. v. Champion*
22 *Spark Plug Co.*, 735 F.2d 549, 552 (Fed. Cir. 1984) (“Champion’s decision to risk infringement
23 liability indicates the value it placed on the patented features.”); *Georgia-Pacific Corp.*, 318 F.
24 Supp. at 1123 (“Noteworthy is the fact that . . . GP deliberately decided to duplicate [the
25 patentholder’s product] notwithstanding the caveat of GP’s own counsel that an expensive
26 infringement suit was inevitable.”); *Pentech Int’l, Inc. v. Hayduchok*, 931 F. Supp. 1167, 1175
27 (S.D.N.Y. 1996) (finding, in applying the *Georgia-Pacific* factors, that “the fact that Pentech
28 would risk the expense of a law suit implies that the [patented] product is valuable”).

1 Defendants' documents and testimony relate to at least three categories of
2 evidence relevant to hypothetical license damages: (1) SAP's knowledge of infringement and the
3 risk of liability, (2) SAP's willingness to take that risk, and (3) SAP's institution and
4 implementation of a shield against liability. The Court has already ruled that each of these types
5 of evidence are relevant to the fair market value here. *See* Trial Tr., Nov. 1, 2010, 257:7-9.
6 SAP made a conscious decision to risk infringement liability. Its "calculated infringement . . . is
7 an admission by conduct that" SAP regarded the Oracle software "as occupying a uniquely
8 favorable position in the market." *See Georgia-Pacific*, 318 F. Supp. at 1123. The defendants in
9 *Gyromat*, *Pentech*, and *Georgia-Pacific* made the same decision. Just as the Courts in those
10 cases considered it relevant to damages, so is it here.

11 SAP's characterization of this evidence as contributory infringement or willful
12 infringement evidence misses the point. Whatever else they may relate to, these three categories
13 of evidence relate directly to Oracle's hypothetical license damages. *Cf.* SAP Mot. at 1, 2.
14 SAP's top executives believed Oracle's copyrights were so valuable they would risk substantial
15 liability in order to take them for free. It is hard to imagine actions or evidence *more* relevant to
16 determining the value of the rights SAP infringed. *See Georgia-Pacific Corp.*, 318 F. Supp. at
17 1123 ("calculated infringement" over counsel's warning that "an expensive infringement suit
18 was inevitable" is an "admission by conduct").

19 SAP's authorities do not permit the exclusion of evidence relevant to damages –
20 here Oracle's most important damages evidence – simply because it also relates to a decided
21 issue.¹ In each of the authorities SAP cites, a court rejected application of a punitive multiplier
22 to a hypothetical license. In all three of SAP's cases, a copyright rightsholder calculated a value
23 of use for infringement of photographs or graphic art, and then sought to apply a multiplier to the
24 value of use based on unauthorized use, willfulness or failure to credit the rightsholder. *See*
25 *Stehrenberger v. R.J. Reynolds Tobacco Holdings, Inc.*, 335 F. Supp. 2d 466, 467, 469 (S.D.N.Y.

26 _____
27 ¹ Both SAP Defendants continue to deny any knowing involvement in the infringement,
28 having contended in opening argument that they told Defendant TomorrowNow *not* to infringe.
Trial Tr., Nov. 2, 2010, 395:5-9.

1 2004) (rejecting a 10x multiplier for willful infringement of graphic art); *Barrera v. Brooklyn*
2 *Music, Ltd.*, 00 Civ. 9331, 2004 U.S. Dist. LEXIS 12450, at *3, *14-*16 (S.D.N.Y. June 30,
3 2004) (rejecting a 5x multiplier for unauthorized use of photograph), *aff'd in relevant part*, 346
4 F. Supp. 2d 400 (S.D.N.Y. 2004); *Faulkner v. Nat'l Geographic Soc'y*, 576 F.Supp.2d 609, 614-
5 18 (S.D.N.Y. 2008) (rejecting a 2x multiplier for a failure to include a byline and a 6x multiplier
6 for unauthorized use of photograph); *see also id.* (limiting a 2x multiplier for “encourag[ing]
7 users” of a CD-ROM to make additional copies “to the extent it rest[ed] on punitive
8 considerations”). These cases are beside the point: Oracle is seeking actual damages consisting
9 of the “value of what was illegally taken,” nothing more. *Stehrenberger*, 335 F. Supp. 2d at 469.
10 None of the cases cited by SAP considered, much less excluded, actual damages evidence related
11 to the *Georgia-Pacific* factors used in calculating a hypothetical license, such as that a
12 defendant’s top executives recognized a specific risk of substantial infringement liability and
13 made a conscious choice to infringe anyway.² *Cf.* Trial Tr., Nov. 4, 2010, 502:3-7 (permitting
14 evidence that Defendants “willingly took the risk of a lawsuit, and . . . the steps they took to
15 protect that.”)

16 Defendants’ attempt to distinguish *Gyromat* and *Georgia-Pacific* fails. While
17 they correctly observe that *Gyromat* held evidence of a defendant’s conscious decision to risk
18 infringement liability was relevant to lost profits, *Gyromat*’s holding that a “decision to risk
19 infringement liability in the case the value [the infringer] placed on the patented features” is
20 equally relevant to hypothetical license based on the *Georgia-Pacific* factors.³ *Compare* SAP
21 Mot. at 3 with *Gyromat*, 735 F.2d at 552 and *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318
22 F. Supp. at 1123 (“Noteworthy is the fact that GP deliberately decided to duplicate [defendant’s
23 product] notwithstanding the caveat of GP’s own counsel that an expensive infringement suit
24 was inevitable.”). As well, SAP itself has put lost profits in issue, providing an independent

25 ² The fact that the *Faulkner* Court excluded plaintiff’s evidence of willfulness as not relevant to
26 *infringement* liability is not relevant to the *actual damages* evidence that SAP’s motion seeks to
exclude. *Compare* SAP Mot. at 3 with *Faulkner*, 576 F. Supp. 2d at 613.

27 ³ The quoted language shows the incorrectness of SAP’s assertion that *Gyromat* discussed
28 “business risk, rather than a party’s willingness to risk infringement.” *Compare* SAP Mot. at 3
with *Gyromat*, 735 F.2d at 552

1 basis for admission of evidence of willingness to risk infringement liability. Trial Tr., Nov. 2,
2 2010, 385:10-24.

3 The Court should disregard Defendants’ characterizations of *Pentech*. Defendants
4 suggest the Court should simply ignore *Pentech*’s holding that an infringer’s willingness to risk
5 litigation is relevant to the determination of fair market value, asserting that *Faulkner*,
6 *Stehrenberger* and *Barrera* have supplanted the holding of *Pentech*. See SAP Mot. at 3.
7 *Faulkner*, *Stehrenberger* and *Barrera* do not even speak to the same issue, much less supplant
8 *Pentech*. (P.4, above.)

9 **B. Evidence Of Substantial Litigation Risk Should Not Be**
10 **Excluded Under Fed. R. Evid. 403**

11 SAP’s request to exclude evidence under Fed. R. Evid. 403 repeats the same
12 mistakes. SAP contends evidence of “willfulness” is unfairly prejudicial because it will “taint”
13 the jury “without establishing anything about objective, fair market value” damages. See SAP
14 Mot. at 3. “Relevant evidence is inherently prejudicial” – if not, there is no point offering it.
15 See, e.g., *United States v. Hankey*, 203 F.3d 1160, 1172 (9th Cir. 2000) (internal citation
16 omitted). The evidence is relevant, as described above. The question under Fed. R. Evid. 403 is
17 whether the evidence presents a danger of “unfair” prejudice – an “undue tendency to suggest
18 decision on an improper basis, commonly, though not necessarily, an emotional one.” *Hankey*,
19 203 F.3d at 1172 (citing Advisory Committee Notes). Here, there is nothing unfair about
20 presenting the jury with evidence that may also relate to a claim SAP appears to have conceded
21 but that also shows Defendants valued the rights they infringed highly enough to risk both the
22 expense of litigation and the damages associated with infringement liability.

23 **III. CONCLUSION**

24 Defendants’ motion should be denied in its entirety.
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