UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

ORACLE AMERICA, INC., et al.,

Plaintiffs,

v.

HEWLETT PACKARD ENTERPRISE COMPANY,

Defendant.

Case No. 16-cv-01393-JST

ORDER GRANTING MOTION TO MODIFY SCHEDULING ORDER AND FILE AMENDED COMPLAINT

Re: ECF No. 231

Before the Court is Plaintiff Oracle America, Inc.'s ("Oracle") motion to modify the scheduling order and for leave to file a Second Amended Complaint ("SAC"). ECF No. 231. Defendant Hewlett Packard Enterprise Company ("HPE") opposes the motion. ECF No. 246. The Court will grant the motion.

I. BACKGROUND

This is a copyright infringement action brought by Oracle America, Inc. ("Oracle") against Hewlett Packard Enterprise Company ("HPE"). On March 22, 2016, Oracle filed its Complaint against HPE, asserting several claims for copyright infringement under 17 U.S.C. §§ 101 et seq., as well as state law claims for intentional interference with contractual relations, economic relations, and unfair competition under California Business and Professions Code § 17200. On July 15, 2016, the Court granted in part and denied in part HPE's motion to dismiss Oracle's complaint and set a deadline of August 15, 2016 for Oracle to amend its complaint. ECF No. 65. On August 10, 2016, Oracle filed its operative First Amended Complaint ("FAC"), alleging copyright infringement (direct and contributory), intentional interference with contract, intentional interference with prospective economic relations, and unfair competition. ECF No. 72. On August 22, 2016, the Court issued a scheduling order setting a deadline to add parties or amend

the pleadings of October 2, 2016. ECF No. 78.

Motion practice on the pleadings has been ongoing. On August 24, 2016, HPE filed a motion to dismiss parts of Oracle's FAC, which the Court denied. ECF Nos. 79, 159. On October 18, 2016, Oracle moved to strike several affirmative defenses asserted by HPE, which the Court granted in part and denied in part without prejudice. ECF Nos. 99, 174. HPE then filed the operative Second Amended Answer ("SAA") on March 2, 2017, re-asserting several affirmative defenses, including an unclean hands defense. ECF No. 179. Oracle subsequently filed a motion to strike HPE's unclean hands defense, which the Court granted. ECF Nos. 207, 240. On May 18, 2017, Oracle filed a motion to modify the scheduling order and for leave to file a Second Amended Complaint, which motion the Court now considers. ECF No. 231.

II. LEGAL STANDARD

Requests to modify a scheduling order made after the Court has set a timetable for amending the pleadings are governed by Federal Rule of Civil Procedure 16. Coleman v. Quaker Oats Co., 232 F.3d 1271, 1294 (9th Cir. 2000). Rule 16(b)(4) requires "good cause" and the consent of the Court to amend a scheduling order. Fed. R. Civ. P. 16(b)(4). As Plaintiff acknowledges, the Court considers the diligence of the parties in deciding such a motion. Id. "Although the existence or degree of prejudice to the party opposing the modification might supply additional reasons to deny a motion, the focus of the inquiry is upon the moving party's reasons for seeking modification. If that party was not diligent, the inquiry should end." Johnson v. Mammoth Recreations, Inc., 975 F.2d 604, 609 (9th Cir. 1992). "The pretrial schedule may be modified 'if it cannot reasonably be met despite the diligence of the party seeking the extension.'" Zivkovic v. Southern California Edison Co., 302 F.3d 1080, 1088 (9th Cir. 2002) (quoting Johnson, 975 F.2d at 609).

Under Federal Rule of Civil Procedure 15(a)(2), a "court should freely give leave [to amend] when justice so requires." Fed. R. Civ. P. 15(a)(2). The Court considers five factors in deciding a motion for leave to amend: bad faith, undue delay, prejudice to the opposing party, futility of amendment, and whether the plaintiff has previously amended his complaint. In re W. States Wholesale Natural Gas Antitrust Litig., 715 F.3d 716, 738 (9th Cir. 2013). The rule is "to

be applied with extreme liberality." Eminence Capital, LLC v. Aspeon, Inc., 316 F.3d 1048, 1051 (9th Cir. 2003) (quoting Owens v. Kaiser Found. Health Plan, Inc., 244 F.3d 708, 712 (9th Cir. 2001)). Generally, a court should determine whether to grant leave indulging "all inferences in favor of granting the motion." Griggs v. Pace Am. Grp., Inc., 170 F.3d 877, 880 (9th Cir. 1999). "Courts may decline to grant leave to amend only if there is strong evidence of 'undue delay, bad faith or dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party . . . , [or] futility of amendment, etc.'" Sonoma Cnty. Ass'n of Retired Emps. v. Sonoma Cnty., 708 F.3d 1109, 1117 (9th Cir. 2013) (quoting Foman v. Davis, 371 U.S. 178, 182 (1962)).

III. DISCUSSION

Oracle seeks to amend the complaint in this action before the close of discovery but after the October 2, 2016 deadline to amend the pleadings. Oracle wishes to amend its complaint in the following three ways: (1) to address newly-obtained evidence of HPE's use of multi-vendor services to displace Oracle hardware; (2) to address HPE's admission that it directly provided Solaris Updates to some customers; and (3) to address Magistrate Judge Laporte's November 7, 2016 order holding that allegations concerning international infringement were inadequately pleaded. ECF No. 231.

A. Rule 16

Oracle argues that it has satisfied Rule 16's good cause standard because "[e]ach of the factual developments upon which Oracle's motion to amend is predicated occurred after the October 2, 2016 pleading deadline set by the Court's Scheduling Order." ECF No. 231 at 13-14. HPE counters that "Oracle could have sought to add [its new] allegations earlier or pleaded them in its very first complaint," because "Oracle has always known about HPE's hardware sales strategy." ECF No. 146 at 11.

The Court concludes that Oracle has demonstrated good cause and due diligence. That Oracle has maintained the same theories of liability throughout this lawsuit does not mean that it cannot demonstrate good cause to amend based on information obtained in discovery or upon indication from the Magistrate that it needed to request leave to amend to perfect a claim. See

ECF No. 106 at 6-7. HPE argues that based on information HPE gave to Oracle to "test" its theory about customers "supported pursuant to the Oracle-HP ES Master Software Contract," Oracle now "seeks to add additional allegations just so it can seek additional discovery." ECF No. 146 at 13. Since that "test" apparently revealed that HPE was providing Solaris Updates to customers without an Oracle support contract, however, Oracle is entitled to seek such discovery.[1] See ECF No. 252 at 10 ("Test" discovery revealed that some of the "servers for which HPE provided data and which were found in Oracle's systems were not under contract with Oracle for the entire period that HPE provided support.").

Moreover, it is reasonable that after receiving Judge Laporte's holding that Oracle had inadequately pleaded its theory of HPE's conduct regarding international customers, Oracle waited to see if the "test" discovery Judge Laporte ordered would reveal the need to amend the complaint further based on the discovery of new facts. This does not demonstrate a lack of diligence.

B. Rule 15 - Prejudice, Undue Delay, Futility, Bad Faith, Previous Amendment

The Court concludes that the Foman factors also weigh in favor of granting Oracle's motion to amend. The "'need to reopen discovery and therefore delay the proceedings supports a district court's finding of prejudice from a delayed motion to amend the complaint.'" AmerisourceBergen Corp. v. Dialysist West, Inc., 465 F.3d 946, 958 (9th Cir. 2006); City of L.A. v. San Pedro Boat Works, 653 F.3d 440, 454-54 (9th Cir. 2011); Jackson v. Bank of Haw., 902 F.2d 1385, 1388 (9th Cir. 1990). Yet "[t]o overcome Rule 15(a)'s liberal policy with respect to the amendment of pleadings a showing of prejudice must be substantial. Neither delay resulting from the proposed amendment nor the prospect of additional discovery needed by the non-moving party in itself constitutes a sufficient showing of prejudice." Stearns v. Select Comfort Retail Corp., 763 F.Supp.2d 1128, 1158 (N.D. Cal. 2010) (citing Genentech, Inc. v. Abbott Labs, , 127 F.R.D. 529, 530-32 (N.D. Cal. 1989)).

HPE argues that it will be prejudiced because of all of the work and motion practice that has already gone into the discovery process and the case as a whole based on "the scope of

[1] In making this observation, the Court is not ruling on the merits of any discovery dispute that is now or might later be pending before Judge Laporte.

Oracle's allegations" and "a defined set of customers." ECF No. 146 at 17, 22. (quotes Jackson, 186 F.R.D. at 608). Ultimax Cement Mfg. Corp. v. CTS Cement Mfg. Corp., 587 F.3d 1339, 1354 (Fed. Cir. 2009). The expansion of discovery based on what has already been revealed, however, will not render the prior discovery or motion practice irrelevant. Oracle's main claims and legal theories remain the same.

Oracle's proposed amendments, while expanding the scope of discovery and of the case, hardly present new theories of liability that take HPE by surprise. For example, Oracle wishes to replace the allegation that Oracle "suffered harm in the form of lost hardware sales that Oracle would have made but-for HP's successful displacement of Oracle as the affected customers' support provider, which better positioned HP to convince the customers to replace Oracle Solaris servers with servers manufactured by HP," FAC ¶ 53, with "HP's offer of Solaris Updates enabled it to secure support relationships with prospective customers who otherwise would have contracted with Oracle for support services," and that "[t]hose relationships in turn give HP a significant advantage in trying to convince large, enterprise customers to replace Oracle servers with HP hardware, particularly when new purchasing needs arose." Proposed Second Amend. Compl. ("Proposed SAC") ¶ 54.

HPE points out that "Oracle admits that it has 'always suspected' that HPE sought to sell HPE hardware to its multi-vendor support customers. And Oracle sought documents based on that allegation." ECF No. 246 at 19 (citation omitted). But, as Oracle points out, what this means is that the "only additional burden that HPE will incur is the obligation to provide Oracle with the discovery that Oracle has sought all along." ECF No. 252 at 15. Oracle does not need to allege a new theory to justify amendment. Rather, Oracle is clarifying the pleadings based on what it has learned in discovery. The fact that other customers "were not covered by an active Oracle support contract during the period they were supported by HPE" is "directly relevant to Oracle's claims" because "Oracle's software support policies explicitly require a customer to maintain an active support contract with Oracle." Id. at 8. Further factual support for Oracle's existing claims does not prejudice HPE.

With regard to Oracle's proposed amendments related to HPE's international customers,

HPE argues that the newly proposed allegations are not largely predicated on recent document productions, as Oracle states, because even Oracle admits the international nexus allegations are based on depositions taken in 2014. ECF No. 146 at 24-25. But Oracle does not allege that its changes to the complaint regarding foreign customers is a result of recent document productions. Oracle stated at an October 24, 2016 discovery hearing that it knew "there [were] foreign customers for which Terix downloaded the updates and then distributed the software[,]" but Judge Laporte subsequently stated in her November 7, 2016 order that "Oracle has not alleged this conduct in its complaint." ECF No. 146 at 14 (citing ECF No. 106 at 7). Oracle states that while it was on notice that amendment was necessary to its allegations of extraterritorial copyright infringement after Judge Laporte's order, "Oracle was waiting to determine whether discovery would reveal further issues that would require amendment and was willing to live without the discovery regarding extraterritorial infringement until it determined whether amendment on other issues would be necessary." ECF No. 252 at 15.

HPE takes issue with the fact that Oracle "waited over six months after Judge Laporte's November 7, 2016 order . . . to try to add allegations about this purported international nexus." ECF No. 146 at 17. But HPE itself acknowledges that the amendments Oracle wishes to make reflect existing theories in the case. See ECF No. 146 at 14 ("Oracle has already tried . . . to obtain discovery related to such customers"). The Court finds no undue delay where Oracle seeks to present the Court with all of its proposed amendments together, and where the majority of them are a result of recent developments in discovery. The Court also finds no prejudice where HPE is "fully prepared to litigate the substantive issue of the claim, given that both the theory and the operative facts of the claim remain the same." Sonoma Cty. Ass'n of Retired Employees v. Sonoma Cty., 708 F.3d 1109, 1118 (9th Cir. 2013). The discovery taken to date will also "be relevant to the new legal theories." Artemus v. Louie, No. 16-cv-00626, 2017 WL 747368, at *4 (N.D. Cal. Feb. 27, 2017).

The remaining Foman factors do not weigh against amendment. There is no strong evidence of bad faith. As discussed above, there had been no showing that Oracle unduly delayed in seeking leave to amend, or that granting the motion will substantially prejudice HPE. Finally,

"[u]nder Rule 15(a), '[i]f the underlying facts or circumstances relied upon by a plaintiff may be a proper subject of relief, he ought to be afforded an opportunity to test his claim on the merits.'" Allen v. Bayshore Mall, No. 12-cv-02368-JST, 2013 WL 6441504, at *5 (N.D. Cal. Dec. 9, 2013) (quoting Foman, 371 U.S. at 182). For this reason, denial of a motion for leave to amend on the ground of futility "is rare and courts generally defer consideration of challenges to the merits of a proposed amended pleading until after leave to amend is granted and the amended pleading is filed." Clarke v. Upton, 703 F.Supp.2d 1037, 1043 (E.D. Cal. 2010) (citing Netbula, LLC v. Distinct Corp., 212 F.R.D. 534, 539 (N.D. Cal. 2003)). At this point, without the benefit of formal briefing on whether the proposed "direct support" allegations sufficiently allege improper conduct, or on the relevance of HPE's hardware sales, the Court cannot say as a matter of law that the amendment would be futile. Accordingly, the Court will not deny leave to amend on that basis.

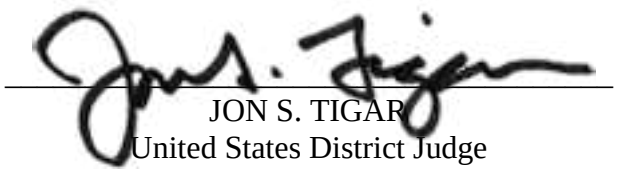
CONCLUSION

For the foregoing reasons, the motion to modify the scheduling order and amend the complaint is granted. Oracle shall file its SAC within seven days of the date of this order.

If any party believes the case scheduling order should be changed as a result of this order allowing Oracle further to amend its complaint, that party should attempt to negotiate a stipulated scheduling order. A joint proposed amended scheduling order, or competing proposals, are due by August 3, 2017 at 5:00 p.m. If the Court does not receive a proposed amended order by that time, it will assume that all parties believe the schedule should remain unchanged.

IT IS SO ORDERED.

Dated: July 25, 2017



JON S. TIGAR
United States District Judge

United States District Court
Northern District of California