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18 TOMORROWNOW, INC.

19 UNITED STATES DISTRICT COURT
20 NORTHERN DISTRICT OF CALIFORNIA
21 OAKLAND DIVISION

23 ORACLE USA, INC., et al.,
24 Plaintiffs,
25 v.
26 SAP AG, et al.,
27 Defendants.

Case No. 07-CV-1658 PJH (EDL)

DEFENDANTS' MOTIONS *IN LIMINE*

Date: May 24, 2012
Time: 2:30 p.m.
Place: 3rd Floor, Courtroom 3
Judge: Hon. Phyllis J. Hamilton

TABLE OF CONTENTS

		Page
1		
2		
3	I. MOTION IN LIMINE NO. 1 TO EXCLUDE EVIDENCE AND ARGUMENT	
4	REGARDING NEW LOST PROFITS AND INFRINGER’S PROFITS CLAIMS	1
5	A. Material Facts.....	2
6	B. Rules 26 and 37 and This Court’s Scheduling Orders Require Excluding	
7	Oracle’s Untimely Damages Claims, Including the New Meyer Report.....	5
8	1. Legal Standards.....	5
9	2. All of Oracle’s New Disclosures Are Untimely	6
10	3. Oracle’s Belated Disclosures Are Neither Substantially Justified	
11	Nor Harmless	7
12	4. Oracle May Not Circumvent Rule 26’s Disclosure Requirements by	
13	Mischaracterizing Its New Damages Claims as “Supplements.”.....	8
14	C. Judicial Estoppel Requires Precluding New Damages Claims	9
15	D. The Court Should Preclude Oracle from Reversing Its Approach to	
16	Deductible Expenses in an Attempt to Inflate the Infringer’s Profits Claim	11
17	1. Oracle May Not Reverse Its Approach on Deducting Expenses	11
18	2. Willful Infringers Are Not Barred from Deducting All Expenses.....	12
19	E. The Court Should Preclude Oracle from Reneging on the Agreed Scope of	
20	Discovery—and Damages—to Inflate the Infringer’s Profits Claim.....	15
21	II. MOTION IN LIMINE NO. 2 TO EXCLUDE EVIDENCE PREVIOUSLY	
22	OFFERED SOLELY TO SUPPORT EXCLUDED DAMAGES THEORIES	16
23	III. MOTION IN LIMINE NO. 3 TO EXCLUDE EVIDENCE AND ARGUMENT	
24	REGARDING TOMORROWNOW’S CRIMINAL CONVICTION.....	18
25	A. Material Facts.....	18
26	B. Argument	18
27	IV. MOTION IN LIMINE NO. 4 TO PROHIBIT ORACLE FROM REFERRING TO	
28	“THEFT” OR “STEALING” OF SOFTWARE	21

TABLE OF AUTHORITIES

		Page(s)
1		
2		
3	CASES	
4	<i>Beller v. United States,</i>	
5	221 F.R.D. 689 (D.N.M. 2003).....	9
6	<i>Butler v. Pettigrew,</i>	
7	409 F.2d 1205 (7th Cir. 1969).....	15
8	<i>Compaq Comp. Corp. v. Ergonome, Inc.,</i>	
9	387 F.3d 403 (5th Cir. 2004).....	19
10	<i>DAG Enters., Inc. v. Exxon Mobil Corp.,</i>	
11	226 F.R.D. 95 (D.D.C. 2005).....	9
12	<i>Engquist v. Oregon Dep't of Agriculture,</i>	
13	478 F.3d 985 (9th Cir. 2007).....	19
14	<i>Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.,</i>	
15	499 U.S. 340 (1991).....	21
16	<i>Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.,</i>	
17	772 F.2d 505 (9th Cir. 1985).....	12-14
18	<i>Freeman v. Allstate Life Ins. Co.,</i>	
19	253 F.3d 533 (9th Cir. 2001).....	15
20	<i>Hamil Am., Inc. v. GFI,</i>	
21	193 F.3d 92 (2d Cir. 1999), <i>cert. denied</i> , 528 U.S. 1160 (2000).....	13
22	<i>Hamilton v. State Farm Fire & Cas. Co.,</i>	
23	270 F.3d 778 (9th Cir. 2001).....	10
24	<i>Kamar Int'l, Inc. v. Russ Berrie & Co.,</i>	
25	752 F.2d 1326 (9th Cir. 1984).....	12-14
26	<i>Lindner v. Meadow Gold Dairies, Inc.,</i>	
27	249 F.R.D. 625 (D. Haw. 2008).....	9
28	<i>Luke v. Family Care & Urgent Med. Clinics,</i>	
	323 Fed. App'x 496 (9th Cir. 2009).....	6, 9
	<i>New Hampshire v. Maine,</i>	
	532 U.S. 742 (2001).....	10
	<i>Saxon v. Blann,</i>	
	968 F.2d 676 (8th Cir. 1992).....	13
	<i>Sheldon v. Metro-Goldwyn-Mayer Corp.,</i>	
	106 F.2d 45 (2d Cir. 1939), <i>aff'd</i> , 309 U.S. 390 (1940).....	13

TABLE OF AUTHORITIES
(continued)

		Page(s)
1		
2		
3	<i>Uniloc USA, Inc. v. Microsoft Corp.</i> ,	
4	632 F.3d 1292 (Fed. Cir. 2011).....	17
5	<i>United Nat’l Ins. Co. v. Spectrum Worldwide, Inc.</i> ,	
6	555 F.3d 772 (9th Cir. 2009).....	10
7	<i>United States v. 14.3 Acres of Land</i> ,	
8	No. 07cv886-AJB (NLS), 2011 WL 2414348 (S.D. Cal. June 10, 2011)	8
9	<i>United States v. Bush</i> ,	
10	58 F.3d 482 (9th Cir. 1995).....	19
11	<i>United States v. Cabrera</i> ,	
12	222 F.3d 590 (9th Cir. 2000).....	21
13	<i>United States v. Curtain</i> ,	
14	489 F.3d 935 (9th Cir. 2007).....	19
15	<i>United States v. Gilbert</i> ,	
16	57 F.3d 709 (9th Cir. 1995).....	20
17	<i>United States v. Gonzalez-Flores</i> ,	
18	418 F.3d 1093 (9th Cir. 2005).....	19
19	<i>United States v. Osazuwa</i> ,	
20	564 F.3d 1169 (9th Cir. 2009).....	20
21	<i>United States v. Skillman</i> ,	
22	922 F.2d 1370 (9th Cir. 1990).....	19
23	<i>United States v. Smith</i> ,	
24	196 F.3d 1034 (9th Cir. 1999).....	19
25	<i>Walden v. Georgia Pacific Corp.</i> ,	
26	126 F.3d 506 (3d Cir. 1997).....	20
27	<i>Yeti by Molly, Ltd. v. Deckers Outdoor Corp.</i> ,	
28	259 F.3d 1101 (9th Cir. 2001).....	6
	<i>ZZ Top v. Chrysler Corp.</i> ,	
	70 F. Supp. 2d 1167 (W.D. Wash. 1999).....	12-14
	STATUTES	
	17 U.S.C. § 504.....	12, 14
	OTHER AUTHORITIES	
	Fed. R. Civ. P. 26.....	6, 8, 9
	Fed. R. Civ. P. 37.....	5, 6, 8, 15

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

TABLE OF AUTHORITIES
(continued)

	Page(s)
Fed. R. Evid. 402	14, 18, 19
Fed. R. Evid. 403	passim
Fed. R. Evid. 609	20
Fed. R. Evid. 802	18
Fed. R. Evid. 803	18

1 Defendants move *in limine* to exclude evidence and argument related to Oracle's new and
2 untimely damages claims in excess of and materially different from those Oracle disclosed during
3 the discovery period, presented at the first trial, and on which Defendants and this Court have
4 relied throughout this case. Defendants also ask this Court to exclude evidence and argument
5 solely related to damages theories no longer in the case, related to the TomorrowNow criminal
6 conviction, or that characterize acts of civil copyright infringement as "theft" or "stealing."

7 **I. MOTION IN LIMINE NO. 1 TO EXCLUDE EVIDENCE AND ARGUMENT**
8 **REGARDING NEW LOST PROFITS AND INFRINGER'S PROFITS CLAIMS**

9 This Court's orders limit the issues for the new trial to Oracle's remaining lost profits and
10 infringer's profits claims. From the time of its damages expert Paul Meyer's deposition in May
11 2010, through the first trial and the Court's post-trial rulings (including the Court's remittitur
12 calculation), Oracle consistently has maintained that its lost and infringer's profits claims for
13 copyright damages total a combined maximum of \$408.7 million. Now, Oracle wants to change
14 that claim and the methodology used to calculate it. In the past ten days, including the night
15 before the pretrial filings deadline, Oracle:

- 16 • Filed three motions seeking to revive damages claims that this Court struck;¹
- 17 • Served a new expert report from Meyer, which increases his infringer's profits
18 calculation by adopting a new and previously undisclosed projection methodology and
19 a new approach to deductible expenses;
- 20 • Provided yet another, even larger infringer's profits claim based on a legal argument
21 about the effect of willful infringement on infringer's profits claims (which argument
22 is also wrong as a matter of law); and
- 23 • Reneged on its own agreement to limit discovery and revenue calculations for
24 infringer's profits to the "List of 86" customers on which both experts based their
25 damages calculations.

26 As a result, at the time of this filing, no one but Oracle knows what damages claim will be

27 ¹ Defendants will separately oppose Oracle's three motions for reconsideration or
28 "clarification" by May 1, 2012, as ordered by the Court. ECF No. 1126 (4/18/12 Order). This
motion *in limine* focuses on Oracle's changes to its profits claims.

1 presented at trial. This cannot stand. Oracle’s eleventh-hour attempt to reinvent and expand its
2 damages claim runs afoul of the Federal Rules, this Court’s own orders, and equity.

3 The Court allowed Oracle a new trial, not a free pass from all disclosure obligations and
4 the binding effect of Oracle’s previous positions. These new claims should be struck—they are
5 untimely, not substantially justified, and not harmless. And equity prohibits Oracle from unfairly
6 advancing such inconsistent positions at Defendants’ expense. Oracle should be held to the
7 claims that this Court permitted Oracle to retry, *i.e.*, the lost and infringer’s profits claims that
8 Oracle offered, albeit so unenthusiastically, at the November 2010 trial.

9 **A. Material Facts.**

10 ***Oracle’s Infringer’s Profits Claim During Discovery: Up to \$288 Million.*** Fact
11 discovery closed on December 4, 2009. ECF No. 325 (6/11/09 Order) at 2. On March 30, 2010,
12 Oracle served its Fourth Supplemental and Amended Initial Disclosures, which purported to meet
13 Oracle’s obligation to disclose its damages calculations by referring to expert Meyer’s report for
14 “a detailed quantification of the damages it will seek at trial, including the methodologies and
15 extensive evidentiary record and other support for the stated amounts.” Declaration of Tharan
16 Gregory Lanier (“Lanier Decl.”) ¶ 11, Ex. 11 at 49. Oracle also stated that its lost and infringer’s
17 profits analyses for the infringement claims would be provided in the report. *Id.* ¶ 7, Ex. 7 at 52.

18 At his May 2010 deposition, Meyer testified that he calculated relevant lost profits at \$36
19 million or \$120.7 million. *Id.* ¶¶ 1, 4, 6, Ex. 1 (5/12/10 Meyer Tr.) at 64:8-12, 73:5-10, 73:16-
20 74:12; Ex. 4 (Meyer Depo. Ex. 2017); 6 (Meyer Depo. Ex. 2024). He explained that \$36 million
21 represented Oracle’s lost profits through October 31, 2008 (when TomorrowNow permanently
22 ceased operations), while \$120.7 million represented Oracle’s lost profits projected through 2015.
23 *Id.* ¶¶ 1, 6, Ex. 1 (5/12/10 Meyer Tr.) at 73:16-74:12; Ex. 6 (Meyer Depo. Ex. 2024). Meyer also
24 testified that he calculated infringer’s profits at \$288 million, explaining that he computed \$577
25 million in SAP revenues allegedly attributable to infringement through 2008 (based on SAP’s
26 2002-2008 gross receipts for a “List of 86” customers) to which he applied the same 50 percent
27 profit margin that Defendants’ expert Stephen Clarke used. *Id.* ¶¶ 1-7, Ex. 1 (5/12/10 Meyer Tr.)
28 at 105:14-20, 100:6-12, 149:8-14, 150:13-16; Ex. 2 (5/13/10 Meyer Tr.) at 344:4-345:24; Ex. 3

1 (5/14/10 Meyer Tr.) at 688:5-13, 793:12-794:5; Ex. 4 (Meyer Depo. Ex. 2017) (showing Meyer’s
2 infringer’s profits calculations as of May 2010); Ex. 5 (Meyer Depo. Ex. 2020) at n.10 (stating
3 calculation applied “[a]verage profit margin from Mr. Clarke’s Appendix M-9”); Ex. 7 (2/23/10
4 Meyer Report) ¶ 445. His infringer’s profits claim did not include projected profits beyond 2008.

5 The “List of 86” customers for which Meyer calculated infringer’s profits was developed
6 jointly by the parties as part of an extensive, Court-monitored process to identify SAP customers
7 who might be relevant to the litigation—*i.e.*, “those customers who purchased TomorrowNow
8 service and SAP products/support simultaneously or were existing TomorrowNow customers at
9 the time they purchased new SAP software or service.” *Id.* ¶¶ 8-9, Ex. 8 (6/25/09 Email from J.
10 McDonell to H. House); Ex. 9 (6/26/09 Email from A. Donnelly to J. McDonell) (Oracle agreeing
11 to processes for identifying customers for list and confirming that Oracle would not seek SAP
12 customer discovery beyond listed customers). Oracle agreed to this defined group of SAP
13 customers for the purposes of discovery and damages calculations, both in the above-cited
14 communications with Defendants and through Meyer’s adoption of the list.

15 ***Oracle’s Infringer’s Profits Claim at Final Disclosures: Up to \$288 Million.*** Expert
16 discovery closed on June 18, 2010. ECF No. 586 (12/22/09 Order) at 2. Final pretrial disclosures
17 were due August 5, 2010. ECF No. 325 (6/11/09 Order) at 1. Oracle’s final pretrial disclosures
18 repeated the same lost and infringer’s profits claims Meyer articulated at deposition; specifically,
19 Oracle stated that it would seek “SAP’s infringer’s profits, which Oracle’s damages expert has
20 estimated as being up to \$288 million.” ECF No. 745 (Joint Pretrial Conf. Statement) at 9.

21 ***Oracle’s Infringer’s Profits Claim at Trial: Up to \$288 Million.*** At the November 2010
22 trial, Meyer affirmed the lost and infringer’s profits computations he offered at deposition.
23 Lanier Decl. ¶ 18, Ex. 18 (11/9/10 Trial Tr.) at 1021:16-1022:15, 1053:25-1056:5, 1057:5-9,
24 1064:13-1065:16; Ex. 18 (11/12/10 Trial Tr.) at 1307:11-25, 1309:19-1310:06, 1310:18-1311:7
25 (Meyer testifying that he “stand[s] by” his deposition testimony that “[i]t is my position that the
26 \$288 million is a calculation of benefits that SAP received from the alleged infringement”),
27 1315:12-15; Ex. 18 (11/18/10 Trial Tr.) at 1821:1-1822:2; *cf. id.* ¶ 18, Ex. 18 (11/16/10 Trial Tr.)
28 at 1632:1-3. Meyer also confirmed that although his infringer’s profits calculation “ranges down”

1 to \$236 million (by excluding profits from customers Amgen, BASF, and Lexmark), \$288 million
2 “was [his] upper bound” for infringer’s profits. *Id.* ¶ 18, Ex. 18 (11/12/10 Trial Tr.) at 1315:12-
3 15. Based on these figures, Meyer testified that his combined lost profits and infringer’s profits
4 calculation “ranges from . . . a low of” approximately \$272 million “to a high of” approximately
5 \$408 million. *Id.* ¶ 18, Ex. 18 (11/9/10 Trial Tr.) at 1058:1-6.

6 Having adopted Meyer’s calculations, throughout the litigation, Oracle also took the
7 position that, for its copyright infringement claim, it would seek lost and infringer’s profits of no
8 more than \$120.7 million and \$288 million, respectively. During closing arguments, Oracle’s
9 counsel stated that “Mr. Meyer came up with an estimate of \$288 million for infringer’s profits”
10 and displayed a demonstrative to the jury that quantified Oracle’s lost profits at \$120.7 million
11 and infringer’s profits at \$288 million. *Id.* ¶¶ 13, 18, Ex. 18 (11/22/10 Trial Tr.) at 2094:9-10,
12 2094:12-13; Ex. 13 (Oracle Closing 287). And in response to the jury’s request for “a breakdown
13 or chart of how Mr. Meyer and Mr. Clarke calculated” damages, *id.* ¶ 18, Ex. 18 (11/22/10 Trial
14 Tr.) at 2224:6-8, Oracle agreed to submit JTX 6, *id.* ¶ 18, Ex. 18 (11/23/10 Trial Tr.) at 2258:9-
15 2259:11, which again reflected Meyer’s “[p]rimary damages calculations” of \$120.7 million in
16 lost profits and up to either \$236 million or \$288 million in infringer’s profits (depending on
17 whether Meyer included Amgen, BASF, and Lexmark in his analysis). *Id.* ¶ 15, Ex. 15 (JTX 6).

18 On September 1, 2011, the Court granted Defendants’ motion for judgment as a matter of
19 law (“JMOL”) and for a new trial on “actual damages in the form of lost profits/infringer’s profits
20 only,” “conditioned on Oracle’s rejection of a remittitur to \$272 million.” ECF No. 1081 (9/1/11
21 Order) at 20. This calculation assumed Oracle’s \$236 million calculation of infringer’s profits.
22 *Id.* Oracle rejected the remittitur on February 6, 2012. ECF No. 1107. On February 28, 2012,
23 the Court set the new trial to begin on June 18, 2012, roughly four months after the scheduling
24 order and nearly 19 months after first trial concluded. ECF No. 1110 (2/28/12 Order) at 2.

25 ***Oracle’s New Infringer’s Profits Claims: \$343 Million or \$615 Million or \$656 Million.***

26 Less than a week ago, on April 20, 2012, Oracle served an additional Meyer report that materially
27 changes his infringer’s profits calculation. Meyer offers a new infringer’s profits computation
28 that adds \$107 million based on a purported analysis of ongoing support revenue that SAP earned

1 from its sales to the “List of 86” customers through 2012, less a 25% expense deduction that he
2 claims derives from SAP’s reports. Meyer’s computation of post-2008 sales is founded on a
3 never-before-disclosed method for projecting such sales, based on pre-2008 sales. Meyer also
4 confirms the reduction of his original claim of \$288 million in infringer’s profits to the \$236
5 million amount referenced in the first trial—the result of his decision to exclude customers
6 Amgen, BASF, and Lexmark. Thus, the net change from Meyer’s original infringer’s profits
7 claim is an increase of \$55 million, from \$288 million to \$343 million.

8 During the parties’ pretrial exchanges this week, Oracle also revealed that it intends to
9 pursue another previously undisclosed theory of damages at the new trial. Specifically, Oracle
10 now alleges that it will seek \$615 million for its infringer’s profits claim, apparently based on a
11 new theory advanced in Oracle’s proposed jury instructions that, as alleged willful infringers,
12 Defendants may not deduct expenses from gross revenues attributable to the infringement as part
13 of an infringer’s profits analysis. Joint Pretrial Conf. Statement (filed concurrently) §§ I.B, III;
14 Lanier Decl. ¶¶ 16-17, Ex. 23 (Pls.’ Prop. Jury Instr. Re: “Copyright Damages—Infringer’s
15 Profits”); Ex. 17 (Pls.’ Prop. Jury Instr. Re: “Copyright Damages—Willful Infringement”).

16 The night before these filings were due, Oracle changed positions again. The evening of
17 April 25, Oracle’s counsel disclosed that Oracle intends to add yet another claim, this time for
18 infringer’s profits of TomorrowNow (which lost \$90 million over its life). This new claim was
19 not presented at the first trial or in any of the filings leading up to it, and was not disclosed during
20 the parties’ preparation for the new trial before April 25. This is because Oracle abandoned any
21 such claim. Two years ago, Meyer testified at deposition that TomorrowNow “does not have any
22 profits to disgorge.” *Id.* ¶ 18, Ex. 18 (5/12/12 Meyer Tr.) at 72:1-4; ¶ 4, Ex. 4 (Meyer Depo. Ex.
23 2017). Although Meyer had calculated TomorrowNow’s revenues, neither he nor Oracle ever
24 presented them as a damages claim, until last night.

25 **B. Rules 26 and 37 and This Court’s Scheduling Orders Require Excluding**
26 **Oracle’s Untimely Damages Claims, Including the New Meyer Report.**

27 **1. Legal Standards.**

28 Under the Federal Rules and this Court’s orders, any new damages computation, expert

1 report, or opinion was required to have been disclosed during the discovery period. Rule 26(a)
 2 requires a computation of each category of damages claimed and production of the documents on
 3 which the computation is based. Fed. R. Civ. P. 26(a)(1)(A)(iii). If a party becomes aware that a
 4 disclosure is incomplete, it must supplement “in a timely manner” or “as ordered by the Court.”
 5 Fed. R. Civ. P. 26(e)(1). Expert reports, which are due “at the times and in the sequence that the
 6 court orders,” Fed. R. Civ. P. 26(a)(2)(D), must “contain a complete statement of all opinions the
 7 witness will express and the basis and reasons for them,” and the “data or other information
 8 considered by the witness in forming the opinions.” Fed. R. Civ. P. 26(a)(2)(B).

9 Rule 37 forbids use of information or opinion not timely disclosed as Rule 26 requires,
 10 unless the failure to disclose is substantially justified or harmless. Fed. R. Civ. P. 37(c)(1). Rule
 11 37 sanctions are “self-executing” and “automatic,” designed to “provide a strong inducement for
 12 disclosure of material.” *Yeti by Molly, Ltd. v. Deckers Outdoor Corp.*, 259 F.3d 1101, 1106-07
 13 (9th Cir. 2001) (quoting Fed. R. Civ. P. 37 advisory committee’s note (1993)) (holding that
 14 failure to disclose expert report was not harmless where “Plaintiffs received [the] report one
 15 month before they were to litigate a complex case”); *Luke v. Family Care & Urgent Med. Clinics*,
 16 323 Fed. App’x 496, 499-500 (9th Cir. 2009). The non-moving party has the burden to show that
 17 it meets one of the two exceptions to mandatory sanctions. *Yeti by Molly*, 259 F.3d at 1107.

18 2. All of Oracle’s New Disclosures Are Untimely.

19 Every one of Oracle’s latest damages calculations—whether in the form of expert opinion
 20 or attorney argument—is untimely, by more than two years. The Court set December 4, 2009 as
 21 the “Deadline to Supplement and/or Correct All Disclosures.” ECF No. 325 (6/11/09 Order) at 2.
 22 Further, the Court-ordered “Deadline to Serve Expert Reports” was November 16, 2009. *Id.* At
 23 the very latest, Oracle should have disclosed Meyer’s full opinions by the date of his May 2010
 24 deposition.² Nothing in the Court’s subsequent orders, including the Court’s latest scheduling

25
 26 ² Although the Court’s December 22, 2009 Order set March 29, 2010 as the deadline to
 27 submit rebuttal reports, *see* ECF No. 586, the parties understood that Meyer would provide his
 28 rebuttal opinions to Clarke’s report at Meyer’s deposition. *See, e.g.*, Lanier Decl. ¶¶ 10, 18, Ex.
 10 (1/19/10 Email from H. House to J. McDonell); Ex. 18 (5/14/10 Meyer Tr.) at 675:16-9
 (describing Exhibit 2020 as “a subsequent analysis I’ve done since receiving the rebuttal report of
 Mr. Clarke, and . . . it is my current opinion about infringer’s profits”).

1 order, relieves Oracle from the effect of these deadlines. ECF No. 1110 (2/28/12 Order). Indeed,
2 Defendants have been preparing their pretrial filings, including their witness list, exhibit list, and
3 discovery designations in reliance on the disclosures Oracle made during the discovery period.

4 At no time before the first trial did Meyer revise his report to provide lost and infringer's
5 profits figures different from the \$408.7 million combined claim he offered at deposition; nor did
6 Oracle supplement its disclosures to offer alternative computations of these claims. Any attempt
7 now by Oracle or Meyer to offer new lost and infringer's profits claims, including to increase the
8 amount claimed beyond \$408.7 million, is untimely. Oracle is bound by its disclosures, and the
9 new trial should be limited to only those lost and infringer's profits claims that Oracle timely and
10 properly disclosed before the first trial.

11 **3. Oracle's Belated Disclosures Are Neither Substantially Justified Nor**
12 **Harmless.**

13 Oracle cannot justify offering never-before-disclosed infringer's profits calculations on
14 the eve of the new trial, long after discovery has closed. Oracle had ample opportunity to obtain
15 discovery and offer lost profits and infringer's profits calculations within the time limits set by the
16 rules and the Court's orders, and it did. At Meyer's deposition and the first trial, Oracle chose to
17 disclose and present lost profits and infringer's profits claims totaling \$408.7 million. Oracle
18 purposely compared its claim for billions in hypothetical license damages to its claim for \$408.7
19 million in lost and infringer's profits damages to persuade the jury that awarding hypothetical
20 license damages was the only way to adequately compensate Oracle for infringement. Lanier
21 Decl. ¶ 18, Ex. 18 (11/9/10 Trial Tr.) at 1017:21-1020:22 (Meyer explaining why awarding
22 license damages allegedly is superior to awarding lost profits and noting, "[a]s I mentioned, one,
23 there's no way that the lost profits and the . . . infringer's profits, measures the full market value
24 of the copyrighted works"), 1021:12-1022:24 (Meyer testifying that \$408.7 million in lost and
25 infringer's profits does not "fully compensate Oracle in this case" and that "[t]he only way to do
26 it is the fair market value of the license approach at the 1.5 billion").

27 Now that the case is limited to lost and infringer's profits, Oracle has obvious tactical
28 reasons for seeking to increase the amount of its remaining claims. But having fully embraced

1 one approach to these claims in the first trial, Oracle “cannot now be heard to argue that [it]
2 should be insulated from the consequences of [its own] choice.” *United States v. 14.3 Acres of*
3 *Land*, No. 07cv886-AJB (NLS), 2011 WL 2414348, at *5 (S.D. Cal. June 10, 2011) (granting
4 motion to exclude untimely disclosed alternate theory of damages in new expert report).

5 Oracle cannot show that its untimely disclosure of new infringer’s profits calculations and
6 associated expert opinion is harmless. These new opinions and damages calculations are based
7 on data obtained during the discovery period, and Oracle or Meyer could have timely made these
8 changes according to the rules and this Court’s schedule for expert disclosures. They did not.
9 The only conceivable purpose for Oracle’s delay in providing Meyer’s “supplemental” report and
10 other calculations is to blindside Defendants by adding millions of dollars to Oracle’s damages
11 claim on the cusp of the new trial, prejudice Defendants’ trial preparation, and contravene the
12 Court’s orders. If Oracle is allowed to offer its new, untimely claims and expert opinion, it will
13 have achieved its desired result.

14 Oracle tried unsuccessfully to change its damages claims mid-stream in this case before.
15 ECF No. 482 (9/17/09 Order) at 26 (holding that Oracle’s failure to disclose damages theories
16 was not harmless, since “Defendants’ expert would not be able to conduct the required analysis
17 within the time limits set by Judge Hamilton” and as “expanding the damages case significantly
18 as Plaintiffs belatedly attempt to do would severely prejudice the Court’s ability to manage this
19 case to resolution in anything approaching a just, speedy, and inexpensive manner”). Just as
20 before, because Oracle cannot carry its burden to show that offering new damages claims is
21 substantially justified or harmless, Rule 37 prevents Oracle from offering such damages
22 computations, expert opinions, and related arguments at the new trial.

23 **4. Oracle May Not Circumvent Rule 26’s Disclosure Requirements by**
24 **Mischaracterizing Its New Damages Claims as “Supplements.”**

25 Oracle may not present entirely these new opinions and damages calculations in the guise
26 of a “supplement” under Rule 26(e)(2). Although Rule 26(e)(2) requires that parties supplement
27 their expert opinions by “the time the party’s pretrial disclosures under Rule 26(a)(3) are due,” it
28 does not authorize or condone the belated disclosure of entirely new opinions. Fed. R. Civ. P.

1 26(e)(2); *Luke*, 323 Fed. App'x at 499-500 (affirming exclusion of so-called “supplemental”
 2 expert opinion offered after disclosure deadlines that “presented a new theory as to a key element
 3 of Plaintiffs’ medical negligence claim”); *Lindner v. Meadow Gold Dairies, Inc.*, 249 F.R.D. 625,
 4 639 (D. Haw. 2008) (“Although Fed. R. Civ. P. 26(e) requires a party to ‘supplement or correct’
 5 disclosure upon information later acquired, that provision does not give license to sandbag one’s
 6 opponent with claims and issues which should have been included in the expert witness’ report.”)
 7 (citation omitted). Rather, permitting parties to submit new expert opinions under the label of a
 8 “supplement” “would surely circumvent the full disclosure requirement implicit in Rule 26” and
 9 “interfere with the Court’s ability to set case management deadlines” *Lindner*, 249 F.R.D. at
 10 639 (quoting *Beller v. United States*, 221 F.R.D. 689, 695 (D.N.M. 2003)); *DAG Enters., Inc. v.*
 11 *Exxon Mobil Corp.*, 226 F.R.D. 95, 110 (D.D.C. 2005) (“Plaintiffs’ obligation to supplement their
 12 expert reports does not give them the right to ignore the Court’s deadlines, reopen discovery, find
 13 ‘new facts,’ generate new expert reports, and then claim different damages.”).

14 The opinions that Meyer offers in his latest report are not mere “supplements,” but rather
 15 qualitative changes to his opinion that should have been disclosed under the Court’s schedule for
 16 expert disclosures. Before the April 20, 2012 Report, both Oracle and Meyer consistently limited
 17 their infringer’s profits calculations to the 2002-2008 timeframe, just as the parties had agreed
 18 during discovery was proper. ECF No. 219 (11/18/08 Joint Disc. Conf. Statement) at 3 & Ex. A
 19 (reflecting parties’ agreement to limit damages discovery through 2008); Lanier Decl. ¶ 7, Ex. 7
 20 (2/23/10 Meyer Report) ¶ 445. But now, Meyer proposes to materially change his approach by
 21 computing damages beyond 2008 using an entirely new, previously undisclosed methodology for
 22 projecting post-2008 revenues using pre-2008 data—a methodology he could and should have
 23 disclosed prior to the November 2010 trial. Meyer also newly opines that the profit margin
 24 applicable to post-2008 revenues is 25%, not the 50% he previously asserted was appropriate.

25 These are new opinions. Oracle cannot avoid the consequences of belatedly disclosing
 26 them by simply calling them “supplemental.”

27 **C. Judicial Estoppel Requires Precluding New Damages Claims.**

28 “Judicial estoppel is an equitable doctrine that precludes a party from gaining an

1 advantage by asserting one position, and then later seeking an advantage by taking a clearly
2 inconsistent position.” *Hamilton v. State Farm Fire & Cas. Co.*, 270 F.3d 778, 782 (9th Cir.
3 2001) (citations omitted); *see also New Hampshire v. Maine*, 532 U.S. 742, 749 (2001). By
4 precluding a party from taking inconsistent positions, estoppel “protect[s] against a litigant
5 playing fast and loose with the courts.” *Hamilton*, 270 F.3d at 782. Courts consider three factors
6 to determine whether estoppel bars a party from taking a new position. First, the party’s position
7 must be “clearly inconsistent with its earlier position.” *New Hampshire*, 532 U.S. at 750 (citation
8 omitted). Second, the party must have “persuad[ed] a court to accept [the] earlier position,” such
9 that accepting the new position would create “the perception that either the first or the second
10 court was misled.” *Id.* Third, courts consider whether the party “would derive an unfair
11 advantage or impose an unfair detriment on the opposing party if not estopped.” *Id.* at 757; *see*
12 *also United Nat’l Ins. Co. v. Spectrum Worldwide, Inc.*, 555 F.3d 772, 779 (9th Cir. 2009).

13 Judicial estoppel forecloses Oracle’s improper attempts to now change the core elements
14 of its damages claim, whether through the new Meyer report or otherwise. *First*, Oracle’s latest
15 positions as to the scope of and methodology underlying its infringer’s profits claim are “clearly
16 inconsistent” with those it affirmatively and consistently presented during the discovery period
17 and at the first trial. Nowhere is this inconsistency more stark than with respect to Oracle’s new
18 stance on deductible expenses. Until very recently, Oracle and its expert repeatedly advocated an
19 infringer’s profits claim that deducts expenses from gross revenues according to a 50 percent
20 profit margin. Now, however, Oracle reverses course entirely by arguing for the first time that
21 Defendants, as alleged willful infringers, may not deduct their expenses at all, or, alternatively,
22 that any deduction should be limited to a 25 percent profit margin.

23 *Second*, this Court “accepted” Oracle’s previous positions regarding its damages claims
24 when the Court issued its September 1, 2011 Order granting a new trial and gave Oracle the
25 option of accepting a remittitur of \$272 million. *Hamilton*, 270 F.3d at 783 (finding that court
26 “accepted” party’s prior assertion, having relied on those assertions to discharge party’s debts).
27 By allowing a remittitur of \$272 million, the Court accepted Meyer’s lost and infringer’s profits
28 calculations, which were based on Oracle’s adoption of a 50 percent profit margin deduction and

1 damages timeframe of 2002-2008, and declined to adopt the lower damages figure offered by
2 Defendants' expert. Although Oracle ultimately rejected the remittitur, the Court was fully
3 prepared to enter final judgment based on Meyer's calculations.

4 *Third*, whether described as "an unfair advantage" to Oracle or an "unfair detriment" to
5 Defendants, permitting Oracle to present its new damages claims at the new trial would result in
6 just the kind of inequity that judicial estoppel is designed to prevent. Oracle would reap an unfair
7 advantage (to Defendants' detriment) by being allowed to present methodologies and legal
8 theories that Defendants never had an opportunity to test through discovery or to challenge
9 through summary judgment. And allowing Oracle's new claims to proceed at this late date would
10 severely prejudice Defendants' trial preparation, which to date has been based on the only
11 damages claims Oracle timely disclosed. Equity requires that the Court preclude Oracle from
12 offering any new lost and infringer's profits claims inconsistent with those it disclosed in
13 compliance with the rules and this Court's orders and repeatedly presented at the first trial.

14 **D. The Court Should Preclude Oracle from Reversing Its Approach to**
15 **Deductible Expenses in an Attempt to Inflate the Infringer's Profits Claim.**

16 **1. Oracle May Not Reverse Its Approach on Deducting Expenses.**

17 Oracle now has made clear that it seeks to double its infringer's profits claim by retracting
18 Meyer's previous deduction of expenses according to a 50 percent profit margin and by arguing
19 that, as alleged willful infringers, Defendants cannot deduct expenses from gross revenues in
20 calculating infringer's profits. Specifically, Oracle proposes revising a previous jury instruction
21 to inform the jury that "[i]f you find that Defendants' infringement was willful, then Defendants'
22 profits are equal to all of Defendants' gross revenue that is associated with the stipulated
23 infringement, and no deduction for Defendants' expenses is permitted." Lanier Decl. ¶¶ 16-17,
24 Ex. 16 (Pls.' Prop. Jury Instr. Re: "Copyright Damages—Infringer's Profits"); Ex. 17 (Pls.' Prop.
25 Jury Instr. Re: "Copyright Damages—Willful Infringement"). Although Oracle argued
26 throughout the case that Defendants engaged in willful infringement, *see, e.g.*, ECF No. 182 (3rd
27 Amend. Complaint) ¶ 121, it has never posited that Defendants cannot—as alleged willful
28 infringers—deduct expenses in calculating infringer's profits. ECF No. 747 (Joint Prop. Jury

1 Instr.) at 80 (for infringer’s profits instruction, not offering language regarding ability of willful
2 infringers to deduct expenses). Instead, Oracle and its expert elected to repeatedly offer an
3 infringer’s profits calculation that deducts expenses from gross revenues according to the 50
4 percent margin computed by Clarke. Section III.C, *supra*.

5 As explained above, the Federal Rules, the Court’s orders, and equity prevent Oracle from
6 taking this new position. But even were it not too late for Oracle to change its position, Oracle is
7 wrong on the law, and this new approach should be excluded on that basis as well.

8 **2. Willful Infringers Are Not Barred from Deducting All Expenses.**

9 There is no statutory basis for denying an accused willful infringer the opportunity to
10 deduct expenses from revenues attributable to infringement in computing infringer’s profits. The
11 Copyright Act allows a copyright owner to recover only the infringer’s “profits,” not its gross
12 revenues. 17 U.S.C. § 504(b) (stating that “[t]he copyright owner is entitled to recover . . . any
13 profits of the infringer that are attributable to the infringement” and that “[i]n establishing the
14 infringer’s profits, the copyright owner is required to present proof only of the infringer’s gross
15 revenue, and the infringer is required to prove his or her deductible expenses . . .”). Nothing in
16 the Act states that “profits of the infringer that are attributable to the infringement” is defined
17 differently if the infringement is willful. *Id*.

18 Oracle presumably will rely on *dicta* in Ninth Circuit cases implying the possibility that a
19 willful infringer might not be permitted to deduct certain overhead expenses from its revenues in
20 an infringer’s profits analysis. *See Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d
21 505, 515 (9th Cir. 1985); *Kamar Int’l, Inc. v. Russ Berrie & Co.*, 752 F.2d 1326, 1331 (9th Cir.
22 1984). But those cases do not hold that such deductions are disallowed, and the only published
23 decision in this Circuit to have squarely addressed the issue held that a willful infringer is not
24 prohibited from deducting its expenses to calculate infringer’s profits. *See ZZ Top v. Chrysler*
25 *Corp.*, 70 F. Supp. 2d 1167, 1168 (W.D. Wash. 1999).

26 In *Kamar*, the Ninth Circuit considered the plaintiff’s argument that the defendant, an
27 alleged willful infringer, should not be allowed to deduct “overhead” expenses in calculating
28 infringer’s profits. 752 F.2d at 1331. The plaintiff relied on language from a Second Circuit

1 case, *Sheldon v. Metro-Goldwyn-Mayer Corp.*, 106 F.2d 45, 51 (2d Cir. 1939), *aff'd*, 309 U.S.
2 390 (1940), to the effect that a “plagiarist may not charge for his labor.” *Id.* at 51. Having
3 determined that the defendant was not a willful infringer, however, it was unnecessary for the
4 Ninth Circuit to decide whether willful infringers are precluded from deducting overhead
5 expenses from gross revenues attributable to infringement. Nevertheless, the Ninth Circuit
6 expressed disagreement with the plaintiff’s interpretation of *Sheldon*, finding that the Second
7 Circuit’s decision “does . . . not disallow all overhead” expenses.³ *Kamar*, 752 F.2d at 1331.

8 As in *Kamar*, the Ninth Circuit in *Frank Music* also did not hold that willful infringers
9 may not deduct expenses in an infringer’s profits calculation. 772 F.2d at 515. Instead, in
10 affirming the district court’s finding that the infringement was not willful, the Ninth Circuit never
11 reached the issue of whether a willful infringer should be denied certain deductions. *See id.*
12 Although the *Frank Music* court noted in *dicta* that overhead expenses “may be deducted from
13 gross revenues to arrive at profits, at least where the infringement was not willful, conscious, or
14 deliberate,” this passing reference was not a holding of the case. *Id.* (citing *Kamar*, 752 F.2d at
15 1331). Further, the court’s reliance on *Kamar* in support of this comment was misplaced in any
16 event, as *Kamar* did not hold that a willful infringer cannot deduct expenses.

17 Although at least one court outside this Circuit has erroneously interpreted *Frank Music* as
18 holding that willful infringers may not deduct overhead expenses, *see Saxon v. Blann*, 968 F.2d
19 676, 681 (8th Cir. 1992), the only court in the Ninth Circuit ever to squarely address whether a
20 willful infringer is precluded from deducting certain expenses held that a willful infringer can
21 deduct overhead in calculating profits. *ZZ Top*, 70 F. Supp. at 1168. There, the district court
22 correctly observed that there is no statutory basis for denying a deduction of overhead costs as
23 punishment to a willful infringer, since: (1) Section 504(b) of the Copyright Act allows plaintiffs

24 _____
25 ³ An independent reading of *Sheldon* confirms that it did not hold that willful infringers
26 are automatically precluded from deducting expenses in an infringer’s profits analysis. *See* 106
27 F.2d at 51, 54 (commenting that “plagiarist may not charge for his labor” in apportionment
28 analysis, not deductible expenses analysis, and separately holding that defendant who had
willfully infringed could deduct overhead expenses as long as they “assisted in the production of
the infringement product”); *cf. Hamil Am., Inc. v. GFI*, 193 F.3d 92, 107 (2d Cir. 1999), *cert.*
denied, 528 U.S. 1160 (2000) (Second Circuit confirming, post-*Sheldon*, that accused infringers,
whether willful or not, may deduct expenses).

1 to recover only profits, not gross revenues; (2) not permitting the defendant to deduct overhead
2 expenses effectively would serve as an “affirmative punishment” of defendants; and (3) Congress
3 specifically addressed punishment of willful infringers under Section 504(c) of the Act, dealing
4 with statutory damages. *Id.* at 1168 (citing 17 U.S.C. §§ 504(b)-(c)). The court also noted that
5 *Frank Music* and *Kamar* only left open the possibility that deducting overhead expenses may be
6 precluded if the infringement is intentional, but did not hold and did “not mandate or even
7 endorse such a preclusion.” *Id.* at 1169. Based on this reasoning, the court concluded that willful
8 infringers may deduct overhead expenses from infringer’s profits under Section 504(b). *See id.*

9 No Ninth Circuit case holds that willfulness precludes deducting expenses. To permit
10 Oracle and its expert to advance a previously undisclosed infringer’s profits claim that no longer
11 deducts expenses based on a 50 percent profit margin would double Meyer’s infringer’s profits
12 calculation. This effectively would impose double damages as punishment for the alleged willful
13 infringement—an effect that contravenes the plain language of Section 504(b). Because nothing
14 in the Copyright Act suggests that willfulness has any bearing on a copyright claim for which
15 statutory damages are not being sought, the Court should reject any argument or jury instruction
16 offered by Oracle regarding willful infringement as irrelevant, misleading, and unfairly
17 prejudicial. Fed. R. Evid. 402; Fed. R. Evid. 403.

18 Holding Oracle to the expense deductions that Defendants will prove at trial not only is
19 required by law, but also is fair. Defendants’ expert Clarke carefully approached calculating
20 deductible expenses to ensure that he is deducting expenses related to the accused revenue.
21 Specifically, Clarke performed a regression analysis to establish to a statistical certainty that the
22 expenses he deducts are all related to the accused infringing revenues. In so doing, he completely
23 eliminates any concerns that permitting a defendant to deduct overhead expenses could produce a
24 windfall to the defendant, effectively permitting ill-gotten revenues to offset overhead expenses
25 that the defendant would have incurred even without the infringing revenues. *See, e.g., Frank*
26 *Music*, 772 F.2d at 515-16 (holding that defendant may deduct expenses that “actually contributed
27 to the production” of the infringing work). Clarke’s approach does not implicate that concern, as
28 it measures only “variable” expenses incurred in producing the accused revenues.

1 **E. The Court Should Preclude Oracle from Reneging on the Agreed Scope of**
2 **Discovery—and Damages—to Inflate the Infringer’s Profits Claim.**

3 Oracle also has suggested, in the new Meyer report and draft pretrial filings, that at the
4 new trial, it may seek infringer’s profits based on revenues for customers beyond the “List of 86.”
5 See Joint Pretrial Conf. Statement, filed concurrently, at “Disputed Facts” (proposing disputed
6 fact as to SAP’s sales to “other TN customers” beyond List of 86). This effort should be rejected.

7 The parties agreed that “customers who purchased TomorrowNow service and SAP
8 products/support simultaneously or were existing TomorrowNow customers at the time they
9 purchased new SAP software or service” comprise the universe of potentially relevant SAP
10 customers; these customers constitute the “List of 86.” Lanier Decl. ¶¶ 8-9, Ex. 8 (6/25/09 Email
11 from J. McDonell to H. House); Ex. 9 (6/26/09 Email from A. Donnelly to J. McDonell)
12 (agreeing to processes for identifying customers for list and confirming that Oracle would not
13 seek SAP customer discovery beyond listed customers). The parties conducted discovery based
14 on this agreement, and both experts relied on the List of 86 to calculate infringer’s profits, which
15 calculations they presented at the first trial. TomorrowNow has been out of business since
16 October 2008, and discovery has been closed for two years. Oracle long ago waived its right to
17 challenge the completeness of the List of 86 or to change its claims based on additional customers
18 on which there has been no discovery.

19 A party waives its right to challenge the sufficiency of a discovery response when it fails
20 to seek relief from the court in a timely matter. *Freeman v. Allstate Life Ins. Co.*, 253 F.3d 533,
21 537 (9th Cir. 2001) (affirming decision to admit evidence not produced in discovery when
22 plaintiff failed to prosecute issue as required by local rules); *Butler v. Pettigrew*, 409 F.2d 1205,
23 1207 (7th Cir. 1969) (holding that plaintiffs waived right to challenge discovery responses’
24 sufficiency by failing to file Rule 37 motion before trial). Given its knowledge of, involvement
25 with, and acquiescence in the procedures used to develop the List of 86, including adopting the
26 list to calculate its properly-disclosed infringer’s profits claims, Oracle’s failure to timely move to
27 compel discovery in connection with the List of 86 bars Oracle from now challenging its
28 sufficiency. Lanier Decl. ¶¶ 5, 18, Ex. 25 (5/12/10 Meyer Tr.) at 100:6-12, 149:8-14, 150:13-16;

1 Ex. 18 (5/14/10 Meyer Tr.) at 662:1-664:2, 676:6-23; Ex. 5 (Meyer Depo. Ex. 2020) at n.10
2 (reflecting Meyer’s infringer’s profits calculations for “List of 86 Customers”); Ex. 18 (11/9/10
3 Trial Tr.) at 1021:16-1022:15, 1065:22-25; Ex. 18 (11/12/10 Trial Tr.) at 1307:11-25.

4 Further, to support its new infringer’s profits claim, Oracle may plan to misinform the
5 jury, as it did at the first trial, that the “List of 86” was the work product of Defendants’ counsel
6 and fails to account for all infringer’s profits. *Id.* ¶ 18, Ex. 18 (11/18/10 Trial Tr.) at 1853:5-8;
7 Ex. 18 (11/22/2010 Trial Tr.) at 2027:19-2028:4 (arguing that “universe of customers that is, we
8 all know, is incomplete”); *but see id.* ¶ 18, Ex. 18 (11/22/10 Trial Tr.) at 2030:10-11 (Court
9 ordering Oracle’s counsel not to refer to SAP counsel in connection with List of 86). Any
10 suggestion that the List of 86 is the sole work product of Defendant’s counsel or is incomplete
11 should be excluded as misleading and unfairly prejudicial. Fed. R. Evid. 403. Such a misleading
12 suggestion not only lacks probative value, but also would unfairly prejudice Defendants by
13 allowing Oracle’s lawyers to improperly suggest that foundational evidence, upon which both
14 sides have relied throughout discovery, is not only incomplete, but a fabrication of Defendants’
15 counsel. Preventing Oracle from offering irrelevant, misleading, and unfairly prejudicial
16 evidence and argument disparaging the List of 86 is entirely consistent with the Court’s ruling
17 during the first trial that Oracle’s counsel should not refer to SAP’s counsel in connection with
18 the development of the List of 86. *Id.* ¶ 18, Ex. 18 (11/22/10 Trial Tr.) at 2030:10-11.

19 **II. MOTION IN LIMINE NO. 2 TO EXCLUDE EVIDENCE PREVIOUSLY**
20 **OFFERED SOLELY TO SUPPORT EXCLUDED DAMAGES THEORIES**

21 This Court’s order granting JMOL is clear: The second trial “will be limited to putting on
22 evidence regarding lost profits” and infringer’s profits. ECF No. 1081 (9/1/11 Order) at 10-15,
23 17-20. Evidence and argument as to the value of a hypothetical license (including as computed
24 using acquisition costs, goodwill, and cross-sell and up-sell data) or any other excluded damages
25 theories are now unquestionably irrelevant to damages, and therefore do not provide context or
26 background related to the stipulated claims. This Court should preclude Oracle from introducing
27 any evidence previously offered solely to support the hypothetical license theory or any other
28 excluded theory of damages.

1 A few examples illustrate the point. At the first trial, Oracle introduced several categories
2 of evidence for the express purpose of supporting its hypothetical license damages theory. These
3 categories of evidence, or “license factors,” included Defendants’ so-called “risk acceptance,”
4 Defendants’ purported “expected financial gains,” and the alleged “risk to Oracle’s investment.”
5 Lanier Decl. ¶¶ 12-14, Ex. 14 (Meyer Demo.) at 4, 16, 38; Ex. 12 (Oracle Opening) at 30.

6 Oracle then introduced evidence attempting to support these factors. To show alleged risk
7 acceptance, Oracle offered evidence purporting to show that Defendants knew the consequences
8 of acquiring TomorrowNow, *see, e.g.*, PTX 0008, willingly accepted the risk of liability, *see, e.g.*,
9 PTX 0014, and intended to use TomorrowNow as a “liability shield,” *see, e.g.*, PTX 0161. Oracle
10 argued that “risk acceptance” evidence was relevant because it “relate[s] directly to Oracle’s
11 hypothetical license damages” and offered no other purpose for this evidence. ECF No. 976
12 (Pls.’ Opp’n. to Defs.’ Mot. to Exclude Evidence) at 3. Oracle also used the license claim to
13 rationalize introducing Defendants’ alleged projections of potential customers conversions, which
14 Oracle argued was relevant to Defendants’ expected financial gains when negotiating a license.
15 Lanier Decl. ¶ 14, Ex. 14 (Meyer Demo.) at 24 (citing PTX 0012), 28 (citing PTX 0024), 29
16 (citing PTX 0161), 55 (citing PTX 0960), 56 (citing PTX 0958). And Oracle offered evidence of
17 Oracle’s R&D costs, claiming that this was relevant to investments risks Oracle would have
18 considered in negotiating a license price. *Id.* ¶¶ 12, 18, Ex. 18 (11/2/10 Trial Tr.) at 339:20-
19 340:4; Ex. 12 (Oracle Opening) at 12; Ex. 18 (11/22/10 Trial Tr.) at 2093:13-24. None of this
20 evidence is context or background for the stipulated claims, as evidenced by the fact that Oracle
21 offered it only in support of its hypothetical license claim.

22 Similarly, Oracle’s counsel and witnesses mentioned the \$11 billion PeopleSoft purchase
23 price no less than 77 times at the previous trial. *See, e.g.*, Lanier Decl. ¶ 18, Ex. 18 (11/2/10 Trial
24 Tr.) at 341:15, 341:23; Ex. 18 (11/4/10 Trial Tr.) at 522:20-22; Ex. 18 (11/8/10 Trial Tr.) at
25 846:17, 846:18, 846:21; Ex. 18 (11/22/10 Trial Tr.) at 2087:10. Repeating this large but totally
26 irrelevant figure “cannot help but skew the damages horizon for the jury.” *Cf. Uniloc USA, Inc.*
27 *v. Microsoft Corp.*, 632 F.3d 1292, 1320 (Fed. Cir. 2011). While the acquisition may be relevant,
28 the only purpose of this repetition was to inflate the damages claim.

1 All of this evidence, and any other evidence Oracle offered solely to support calculating a
2 license or other excluded damages claims, now is indisputably irrelevant to damages and should
3 be excluded as such. Fed. R. Evid. 402. The risk of prejudice and misleading the jury by
4 introducing irrelevant precluded claims evidence in the new trial also warrants its exclusion. Fed.
5 R. Evid. 402; Fed. R. Evid. 403. As the Court observed, Oracle used its license theory to present
6 “speculative” evidence and to “urg[e] the jury to disregard evidence of Oracle’s actual customer
7 losses resulting from infringement,” resulting in a \$1.3 billion verdict that was “contrary to the
8 weight of the evidence.” ECF No. 1081 (9/1/11 Order) at 17. The new trial is limited to “actual”
9 damages, *id.*, and Oracle must focus its evidence and trial presentation accordingly.

10 **III. MOTION IN LIMINE NO. 3 TO EXCLUDE EVIDENCE AND ARGUMENT**
11 **REGARDING TOMORROWNOW’S CRIMINAL CONVICTION**

12 The Court should exclude any and all references, questions, statements, or proffers of
13 evidence regarding TomorrowNow’s criminal conviction, including the conviction itself, the
14 Information, Plea Agreement, Judgment, and related hearing transcripts. Evidence of a criminal
15 conviction that occurred years after the operative facts cannot provide context or background for
16 this case, and is certainly not relevant to damages. Fed. R. Evid. 402. Even if relevant, any
17 probative value is substantially outweighed by unfair prejudice and the likelihood of confusion
18 under Rule 403. Further, any conviction-related documents are inadmissible hearsay under Rules
19 802 and 803 of the Federal Rules of Evidence.

20 **A. Material Facts.**

21 TomorrowNow pled guilty to eleven counts of unauthorized access to a protected
22 computer with intent to defraud and obtaining something of value and one count of criminal
23 copyright infringement. The Plea Agreement acknowledges that TomorrowNow employees
24 downloaded and copied certain Oracle software without authorization or in excess of the
25 customers’ licenses with Oracle. Neither SAP AG nor SAP America, Inc. were charged, pled
26 guilty, or were convicted of any criminal wrongdoing in conjunction with the conviction.

27 **B. Argument.**

28 **Relevance.** TomorrowNow’s actions that formed the basis of the criminal conviction

1 include accessing Oracle-protected computers without authorization, obtaining Oracle software
2 outside the scope of relevant licenses, and making unauthorized copies of Oracle software.
3 Calculating lost and infringer's profits does not require any of these facts. Rather, as the Court
4 noted, determining profits turns on the number of support customers that Oracle actually lost as
5 the result of infringement and the amount SAP profited from TomorrowNow's infringement.
6 ECF No. 1081 (9/1/11 Order) at 18. By its very nature, the conviction concerns only actions by
7 TomorrowNow, not any damages resulting from those actions. Therefore, its criminal conviction
8 does not make any fact of consequence more or less probable, and it is not relevant to the new
9 trial. Fed. R. Evid. 402; *United States v. Curtain*, 489 F.3d 935, 943 (9th Cir. 2007).

10 ***Unfair Prejudice and Confusion.*** Even if evidence and argument about the conviction
11 were relevant to the new trial, the Court should exclude such evidence as unfairly prejudicial and
12 confusing. Any conceivable probative value the conviction may have is substantially outweighed
13 by the risk that mentioning the conviction could confuse the jury and lead it to issue a verdict on
14 improper bases. Fed. R. Evid. 403; Fed. R. Evid. 403 advisory committee's note; *United States v.*
15 *Skillman*, 922 F.2d 1370, 1374 (9th Cir. 1990) (finding that such evidence "appeals to the jury's
16 sympathies, arouses its sense of horror, provokes its instinct to punish," or "may cause a jury to
17 base its decision on something other than the established propositions in the case") (citing 1 J.
18 Weinstein & M. Berger, Weinstein's Evidence ¶ 403[03] at 403-36-403-39 (1989 ed.)).

19 First, evidence and argument regarding the conviction likely would confuse the jury as to
20 its proper role in the case, *i.e.*, to calculate money damages, not to exact punishment. Fed. R.
21 Evid. 403; *see also United States v. Smith*, 196 F.3d 1034, 1037-38 (9th Cir. 1999); *United States*
22 *v. Bush*, 58 F.3d 482, 488-89 (9th Cir. 1995). A party may not encourage a jury to blindly defer
23 to a prior result or improperly punish. *Engquist v. Oregon Dep't of Agriculture*, 478 F.3d 985,
24 1008-10 (9th Cir. 2007) (upholding exclusion of earlier judgment in light of substantial risk jury
25 would defer to earlier result); *United States v. Gonzalez-Flores*, 418 F.3d 1093, 1098-99 (9th Cir.
26 2005) (finding abuse of discretion in admitting inflammatory testimony not supporting elements
27 of crime and only slightly probative to charged offense, as it could have triggered jury's desire to
28 punish); *Compaq Comp. Corp. v. Ergonome, Inc.*, 387 F.3d 403, 409 (5th Cir. 2004). No matter

1 how Oracle attempts to use the conviction, if it is admitted, the jury may try to punish Defendants
2 by increasing the damages award. Punishment is neither relevant nor proper in assessing civil
3 copyright damages. Further, by stipulation, Oracle relinquished its right to seek punitive damages
4 and should not be allowed to use the conviction to circumvent that voluntary decision.

5 Second, the conviction likely will confuse the jury as to how it relates to SAP. While
6 SAP AG and SAP America, Inc. agreed to take financial responsibility for TomorrowNow's
7 actions, neither was indicted, charged, or found guilty of a criminal offense. If Oracle is allowed
8 to introduce and use the conviction in any way against SAP AG and SAP America, Inc., this will
9 improperly encourage the jury to assume that SAP AG and SAP America, Inc. pled guilty to a
10 crime as well; this is untrue and likely would improperly influence the jury's deliberation.

11 ***Rule 609 Character Evidence.*** Rule 609 of the Federal Rules of Evidence does not
12 provide a basis for Oracle to offer evidence of TomorrowNow's conviction.⁴ Rule 609 provides
13 that a party may impeach a witness's character for truthfulness with evidence that the witness was
14 convicted of a crime, "if the court can readily determine that establishing the elements of the
15 crime required proving—or the witness admitting—a dishonest act or false statement." Fed. R.
16 Evid. 609. The plain language of Rule 609 applies only to a *witness's* own conviction, and no
17 Ninth Circuit authority supports extending the rule to permit use of a *corporate* conviction to
18 impeach an individual. And Oracle should be prohibited from calling a TomorrowNow witness
19 for the sole purpose of attempting to expose the jury to the conviction. *United States v. Gilbert*,
20 57 F.3d 709, 711 (9th Cir. 1995) (holding that party cannot call witness with primary goal of

21 ⁴ Even if the Court determines Rule 609 permits impeachment of any individual witness
22 with TomorrowNow's conviction, it should limit the way in which the conviction may be used,
23 and require strict adherence to the rule, allowing only the barest of details absent exceptional
24 circumstances. *United States v. Osazuwa*, 564 F.3d 1169, 1175 (9th Cir. 2009). Further, if it is
25 allowed at all, such impeachment evidence should be permitted only if the witness was directly
26 involved in the criminal activity leading to TomorrowNow's conviction, as the policy underlying
27 Rule 609 is to inform the jury about the character of the specific witness the jury is being asked to
28 believe. *Walden v. Georgia Pacific Corp.*, 126 F.3d 506, 523-24 (3d Cir. 1997) (affirming
exclusion of corporation's conviction as improper when used to impeach employee witnesses not
directly involved in underlying actions that led to corporation's conviction). Thus, to the extent
that this Court finds that the conviction is admissible under Rule 609, at most, it could be used
only to impeach former TomorrowNow employees (to the extent they are properly called to
testify for other purposes) that downloaded or copied Oracle software without authorization or in
excess of license grants between 2005 and 2007 (*e.g.*, the subject matter of the criminal plea and
related orders), and a limiting instruction should be issued.

1 impeaching witness or presenting substantive evidence that is otherwise inadmissible).

2 **IV. MOTION IN LIMINE NO. 4 TO PROHIBIT ORACLE FROM REFERRING TO**
3 **“THEFT” OR “STEALING” OF SOFTWARE**

4 During the first trial, the Court instructed Oracle to refrain from using the word “theft” or
5 “stealing” to describe TomorrowNow’s conduct. Lanier Decl. ¶ 18, Ex. 18 (11/1/10 Trial Tr.) at
6 257:1-15; Ex. 18 (11/22/10 Trial Tr.) at 2030:19-2031:12. Despite the Court’s instruction, Oracle
7 did not comply. *See, e.g., id.* ¶ 18, Ex. 18 (11/8/10 Trial Tr.) at 867:10-15; Ex. 18 (11/22/10 Trial
8 Tr.) at 2185:19-2186:12. Defendants therefore are compelled to ask the Court to prohibit Oracle
9 from referring to TomorrowNow’s actions at the new trial in this civil case as “theft,” “stealing,”
10 or any variation of those terms.

11 TomorrowNow stipulated to liability for civil copyright infringement. The elements of
12 this claim are: (1) ownership of a valid copyright and (2) copying original elements of a
13 copyrighted work. *See Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991).
14 Even had Defendants not stipulated to liability, Oracle would not need to prove TomorrowNow
15 committed theft to meet its liability burden. As the Court noted, a theft case is not the same as a
16 copyright infringement case. Lanier Decl. ¶ 18, Ex. 18 (11/1/10 Trial Tr.) at 257:1-5; Ex. 18
17 (11/22/10 Trial Tr.) at 2030:19-2031:11. Colorful analogies aside, copyright infringement is
18 copying, not taking; Oracle still has the software it bought and licenses to its customers.

19 Characterizing the stipulated copyright infringement as theft is not accurate. It is also not
20 relevant to determining the sole remaining issues in this case: the amount of lost and infringer’s
21 profits for civil copyright infringement when liability is stipulated. These issues turn on why
22 customers left Oracle. Inflammatory and inaccurate characterizations of TomorrowNow’s
23 conduct as theft lack any probative value at all to resolving these issues.

24 Even if there were somehow probative value in using the terms “theft,” “stealing,” or their
25 variations, such references still should be excluded, since any probative value is substantially
26 outweighed by the accompanying unfair prejudice. Fed. R. Evid. 403. The Ninth Circuit has held
27 that inflammatory terms should be excluded as unfairly prejudicial when less inflammatory terms
28 are equally relevant. *United States v. Cabrera*, 222 F.3d 590, 595-96 (9th Cir. 2000). Oracle can

1 say “copying” or “infringing.” The only purpose served by saying “stealing” or “theft” is to
2 inflame the jury to punish SAP through a larger damages award. This is the very type of unfair
3 prejudice Rule 403 is intended to prevent.

4 Dated: April 26, 2012

JONES DAY

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By: /s/ Tharan Gregory Lanier

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Tharan Gregory Lanier

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