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17 Attorneys for Defendants
SAP AG, SAP AMERICA, INC., and
18 TOMORROWNOW, INC.

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

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

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

**[PROPOSED] ORDER DENYING
PLAINTIFFS' MOTION NO. 3 TO
EXCLUDE EXPERT TESTIMONY OF
DAVID GARMUS**

1 Having considered Plaintiffs' Motion No. 3: To Exclude Testimony of Defendants' Expert
2 David Garmus (D.I. 767), Defendants' Opposition to Plaintiffs' Motion No. 3: To Exclude
3 Testimony of Defendants' Expert David Garmus, the memoranda and declarations in support, and
4 exhibits attached thereto:

5 IT IS HEREBY ORDERED THAT: Plaintiffs' motion is DENIED.

6 Plaintiffs' expert Paul Pinto, designated solely to testify on so-called "saved development
7 costs," as well as Defendants' experts Donald Reifer and David Garmus (designated solely to
8 rebut Pinto), are no longer relevant to this case as a result of this Court's August 17, 2010 order
9 holding that Plaintiffs may not seek damages in the form of "saved development costs" for any
10 cause of action in this case. Because it seeks to exclude certain specific opinions of Garmus that
11 rebut Pinto's opinions on saved development costs, Plaintiffs' motion is moot and is therefore
12 DENIED. Even were it not moot, Plaintiffs' motion would be denied for failing to offer any
13 suitable basis for excluding Garmus' rebuttal testimony.

14 **RULE 702 OF THE FEDERAL RULES OF EVIDENCE**

15 **Testimony Regarding IFPUG:** Pinto purports to develop an estimate of "the amount
16 that SAP would have spent to develop software of similar functionality to what it [allegedly]
17 infringed here," in part by using a technique known as "Function Point Analysis" ("FPA"). As a
18 function point expert, Garmus evaluates and rebuts Pinto's purported FPA by referencing the
19 industry standards set by the International Function Point Users Group ("IFPUG"), the
20 international professional organization that promulgates standards for FPA. Garmus has
21 extensive credentials as an expert in IFPUG and FPA, including over thirty years of experience in
22 the field of software estimation; over 17 years as an IFPUG Certified Function Point Specialist;
23 previous leadership positions at IFPUG, including as former President of the organization; and
24 membership on the IFPUG Counting Practices Committee from 1990 to the present.

25 Plaintiffs argue that Garmus should not be permitted to testify regarding IFPUG or what
26 practices IFPUG approves. However, experts can opine on industry standards. *See, e.g., Davis v.*
27 *Mason County*, 927 F.2d 1473, 1485 (9th Cir. 1991) (holding "Fed. R. Evid. 702 permits expert
28 testimony comparing the conduct of parties to the industry standard"); *Erikson v. Baxter*

1 *Healthcare, Inc.*, 131 F. Supp. 2d 995, 1001 (N.D. Ill. 2001); *Callaway Golf Co. v. Screen Actors*
2 *Guild, Inc.*, No. 07CV0373-LAB (WMC), 2009 WL 5125603, at *3 (S.D. Cal. Dec. 18, 2009).
3 Here, the Court finds that Garmus may properly opine about standards promulgated by IFPUG
4 based on his expertise and previous experience. As an industry veteran and expert on the FPA,
5 Garmus' testimony regarding IFPUG's standards for conducting an FPA would be relevant to
6 rebutting Pinto's opinions and helpful to the jury, as it considers the validity of Pinto's purported
7 use of FPA and provides the jury with valuable insight into a specialized field. *See Vucinich v.*
8 *Paine, Webber, Jackson & Curtis, Inc.*, 803 F.2d 454, 461 (9th Cir. 1986). Further, in light of
9 Garmus' expertise and experience in FPA and in IFPUG leadership positions, his opinion about
10 IFPUG's standards is not speculation, but the product of his expertise; thus, Garmus' testimony
11 about the IFPUG standards would not introduce the opinions of experts not present in the
12 courtroom. *See Callaway*, 2009 WL 5125603, at *3 (holding opinion that was "obviously based
13 on [expert's] experience" was not lacking in factual basis).

14 The Court further finds unpersuasive Plaintiffs' arguments that Garmus' opinions lack a
15 factual basis in light of his citation to certain IFPUG bulletin board posts. Garmus relies on these
16 posts as examples of others who disagree with a technique employed by Pinto known as
17 "backfiring." To the extent that Plaintiffs disagree with Garmus' reliance on these bulletin board
18 posts to support his opinion regarding the impropriety of "backfiring," this concern goes to the
19 weight, not admissibility, of Garmus' opinion. *See Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251
20 F.3d 1252, 1262-63 (9th Cir. 2001); *Primrose Operating Co. v. National Am. Ins. Co.*, 382 F.3d
21 546, 562 (5th Cir. 2004); *Jones v. Otis Elevator Co.*, 861 F.2d 655, 662-63 (11th Cir. 1988).

22 **Testimony Regarding the Scope of an FPA:** Plaintiffs argue that Garmus should be
23 prohibited from offering opinions regarding the modules TomorrowNow ("TN") serviced or did
24 not service, and thus, and the modules that that Pinto should or should not have sized, because
25 Garmus is not an expert in TN's business practices and because Garmus' list of modules Pinto
26 should not have sized is based on inadequate factual support.

27 When conducting an FPA of a software program, one must determine the "scope" of the
28 software that should be measured. In other words, one must first determine how much of the

1 software to size. In his analysis, Pinto measures the entire PeopleSoft and J.D. Edwards software
2 suites at a particular release level. Garmus opines that the proper scope of an FPA estimate
3 should only include the modules that an entity would actually use because that is the only
4 software it would pay to build. The Court finds that Garmus may properly opine on the propriety
5 of Pinto's sizing of an entire suite of products. Garmus made this determination by appropriately
6 relying on his experience in FPA and software valuation. *See, e.g., Kumho Tire Co. v.*
7 *Carmichael*, 526 U.S. 137, 156 (1999).

8 In addition to Garmus' opinions regarding Pinto's general approach of sizing entire
9 software suites, Plaintiffs also object to Garmus' opinion that Pinto should not have included in
10 his FPA estimate any modules TN did not service because TN never would have developed
11 modules it did not use; similarly, Plaintiffs object to Garmus' identification of particular modules
12 Pinto should not have sized. Plaintiffs claim that Garmus is not an expert on TN's business
13 model and should not be permitted to render these opinions. However, the relevant inquiry is not
14 whether Garmus is an expert on TN, but whether Garmus, an expert in FPA, reviewed sufficient
15 data to determine the modules that should not be included in Pinto's FPA count.

16 The Court finds that Garmus relies on sufficient data to determine which modules Pinto
17 should exclude from his analysis. Garmus relies on two comprehensive sources of information to
18 determine which modules Pinto should not size: Appendix L to the Expert Report of Stephen K.
19 Clarke ("Appendix L") and two exports from TN's SAS Database. Appendix L is a compilation
20 of over 3300 rows of factual data, detailing contract information for all of TN's customers,
21 including information about all the modules TN contracted to service. The exports from TN's
22 SAS database include data that TN recorded as part of its day-to-day business activities, including
23 which modules TN used to support each customer. Garmus compared this data to the list of
24 modules Plaintiffs' asserted actually comprise the PeopleSoft and J.D. Edwards EnterpriseOne
25 software suites. Garmus determined which modules TN apparently did not service and, therefore,
26 that he believes Pinto should exclude from his FPA. Given the comprehensive nature of those
27 spreadsheets and the fact that the SAS spreadsheets include TN's business records, Garmus' use
28 of these materials is permissible and reliable. *See, e.g., Walton v. Bridgestone/Firestone, Inc., No.*

1 CV-05-3027-PHX-ROS, 2009 U.S. Dist. LEXIS 85014, at *33 (D. Ariz. Jan. 16, 2009); *cf.*
2 *Sommerfield v. City of Chicago*, 254 F.R.D. 317, 322 (N.D. Ill. 2008) (discussing the reliability of
3 business records in the course of discussing the data on which an expert might appropriately rely).
4 Further, Plaintiffs' characterization of Appendix L and the SAS spreadsheets as propounding the
5 "view" of counsel is without merit. As the Court describes above, the sources Garmus used in his
6 analysis were comprehensive spreadsheets of objective data; neither source was made by counsel
7 or involved editorial discretion.

8 The Court further notes that Plaintiffs' chief complaint regarding Garmus' opinions on
9 Pinto's sizing technique is that Garmus' opinions are incorrect. In particular, Plaintiffs assert that
10 certain evidence contradicts Garmus' opinions on the modules TN did not service. However, the
11 test for reliability under *Daubert* "is not the correctness of the expert's conclusions but the
12 soundness of his methodology." *Stilwell v. Smith & Nephew, Inc.*, 482 F.3d 1187, 1191 (9th Cir.
13 2007) (citing *Daubert v. Merrell Dow Pharms., Inc.*, 43 F.3d 1311, 1318 (9th Cir. 1995)).
14 Moreover, the evidence Plaintiffs cite as allegedly contradicting Garmus' opinions is in fact
15 irrelevant to Garmus' opinions. Specifically, SAP's high-level public statements regarding
16 liability-related litigation decisions and regarding TN's downloading of unspecified
17 "information" from Oracle's websites say nothing about which modules TN used to support its
18 customers. Similarly, evidence regarding libraries of documentation does not provide any
19 indication regarding the modules of software that TN was using. Nor do statements made in TN's
20 marketing material, which describe the software and releases TN could service, bear on which
21 specific modules TN did service. Likewise, statements about software release levels a TN
22 employee claimed to be running "in a shed behind [his] house" do not speak to the modules TN
23 serviced. Finally, evidence of unspecified stray copies of installation CDs or backup
24 environments again says little about what modules TN needed to service its customers, and thus,
25 says nothing about which modules Pinto should size.

26 To the extent Plaintiffs contend that Garmus should have also considered these or any
27 other materials, such concerns affect the weight, not admissibility, of expert opinion, and properly
28 can be addressed during cross-examination. *See Bazemore v. Friday*, 478 U.S. 385, 400 (1986);

1 *Hemmings v. Tidy-Man's Inc.*, 285 F.3d 1174, 1188 (9th Cir. 2002); *Jones*, 861 F.2d at 662-63;
2 *Microfinancial, Inc. v. Premier Holidays Int'l, Inc.*, 385 F.3d 72, 81 (1st Cir. 2004); *EEOC v.*
3 *Morgan Stanley & Co.*, 324 F. Supp. 2d 451, 458-60 (S.D.N.Y. 2004).

4 Finally, the Court notes that because Garmus' opinions regarding the proper scope of an
5 FPA analysis and about the modules used by TN to service customers are admissible, Defendants'
6 damages expert Stephen K. Clarke's reliance on these opinions is also permissible.

7 **Exemplar IFPUG Function Point Counts:** Plaintiffs argue that Garmus' exemplar
8 function point counts are irrelevant to the current matter and constitute improper affirmative
9 opinion. Plaintiffs' argument is without merit. Because Defendants argue that Pinto did not
10 perform proper IFPUG counts, Garmus' counts provide an example of what steps would have
11 been included in a proper FPA and demonstrate Garmus' expertise in the subject area (as well as,
12 and conversely, Garmus' claim that Pinto's lacks of expertise). Because Garmus' counts are
13 exemplars of the proper methodology, they would be relevant to rebut Pinto, and it is of no
14 moment that the modules he used were not contained in the same release levels sized by Pinto.

15 Moreover, Garmus' exemplar counts are proper "rebuttal" opinions. Expert opinions are
16 proper "rebuttal" opinions when the rebuttal expert opines on the same "subject matter" as the
17 affirmative expert. *See* Fed. R. Civ. P. 26(a)(2)(C); *Garcia v. Union Labor Life Ins. Co.*, No. CV
18 04-0721-WJR (RNBx), 2004 WL 5644436, at *2 (C.D. Cal. Nov. 24, 2004). In this case, Pinto
19 claims to use FPA; Garmus opines that Pinto does not properly perform FPA, and Garmus
20 demonstrates what Pinto should have done. Such an opinion clearly concerns the "same subject
21 matter"—FPA—as Plaintiffs' expert opinion, and thus constitutes proper rebuttal opinion. *See*
22 *MMI Realty Servs., Inc. v. Westchester Surplus Lines Ins. Co.*, No. 07-00466 BMK, 2009 WL
23 649894, at *2 (D. Haw. Mar. 10, 2009). Moreover, courts routinely find that expert opinions are
24 properly "rebuttal" opinions when the expert engages in a type or form of analysis not performed
25 by the affirmative expert, and that analysis demonstrates a "flaw" or potential defect in the
26 affirmative expert's methodology. *See Humphreys v. Regents of the Univ. of Cal.*, No. C 04-
27 03808 SI, 2006 U.S. Dist. LEXIS 47822, at *17-18 (N.D. Cal. July 6, 2006); *In re Remec Inc. Sec.*
28 *Litig.*, No. 04-CV-1948-MMA (AJB), 2010 U.S. Dist. LEXIS 48415, at *28-29 (S.D. Cal. Apr.

1 21, 2010). Garmus acts well within his role as a rebuttal expert by pointing out claimed flaws in
2 Pinto's methodology and demonstrating how he believes a proper IFPUG analysis is done.

3 **Appropriate Costs to Measure with FPA:** Plaintiffs argue that Garmus offers an
4 improper legal opinion about the appropriateness of saved development costs as a measure of
5 damages in this case. The Court finds that Garmus does not offer such an impermissible legal
6 opinion. Garmus does not opine on the availability of saved development costs as a legal matter,
7 but rather discusses whether, as a practical matter and given the facts in this case, a software
8 estimation expert would have estimated the cost of entire software suites. Garmus opines, as a
9 software estimation expert, that when a maintenance provider is the intended user of a software
10 product, a reasonable expert does not measure the entire cost of developing that software. This is
11 because a maintenance provider would need an exact copy of the client's software to perform
12 maintenance, and it would be unfeasible—indeed, impossible—for the maintenance provider to
13 develop the exact same software on its own. This is not a legal opinion. *See, e.g., Hangarter v.*
14 *Provident Life and Accident Ins. Co.*, 373 F.3d 998, 1010, 1016 (9th Cir. 2004).

15 For all these reasons, the Court denies Plaintiffs' motion to exclude Garmus' testimony
16 pursuant to Rule 702.

17 **IT IS SO ORDERED.**

18
19 DATED: _____

By: _____
Hon. Phyllis J. Hamilton