UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

ORACLE USA, INC., et al.,

Plaintiffs,

v.

SAP AG, et al.,

Defendants.
_________________________________/

No. C 07-1658 PJH

ORDER GRANTING DEFENDANTS' MOTION FOR JMOL, AND MOTION FOR NEW TRIAL; ORDER DENYING PLAINTIFFS' MOTION FOR NEW TRIAL; ORDER PARTIALLY VACATING JUDGMENT

Before the court is the renewed motion of defendants SAP, AG, SAP America, Inc., and TomorrowNow, Inc. ("SAP") for judgment as a matter of law, pursuant to Federal Rule of Civil Procedure 50(b), and motion for a new trial, pursuant to Federal Rule of Civil Procedure 59. Plaintiffs Oracle USA, Inc., Oracle International Corporation, and Siebel Systems, Inc. ("Oracle") oppose the motion, and also move for a new trial. Also before the court is Oracle's "conditional motion" for a new trial. Having read the parties' papers and carefully considered their arguments, including the arguments made at the July 13, 2011 hearing, the court GRANTS SAP's motion for judgment as a matter of law; GRANTS SAP's motion for a new trial, conditional upon Oracle's acceptance of a remittitur; and DENIES Oracle's "conditional motion" for a new trial.

As set forth in some detail in the court's previous orders in this case, Oracle filed suit against SAP in March 2007, alleging copyright infringement, violations of the Computer Fraud and Abuse Act, and various state-law claims. After more than three and a half years of heated litigation, the case was tried to a jury in November 2010. Prior to the trial, SAP conceded liability as to all claims that had not previously been dismissed. Thus, the only issue for decision by the jury was the amount of the damages. On November 23, 2011, the jury returned a verdict, awarding Oracle $1.3 billion in "hypothetical license" damages.

SAP seeks judgment as a matter of law that Oracle is not entitled to actual damages for copyright infringement in the form of a hypothetical license, for two reasons – because Oracle did not establish that, but for infringement, it would have licensed the asserted copyrighted works for the use at issue, and because Oracle did not present evidence sufficient to value such a license, with the result that the jury's award was unduly speculative.

In the alternative, SAP seeks a remittitur, from $1.3 billion to no more than $408.7 million, or, a new trial as to the amount of damages. SAP asserts that the jury award is grossly excessive, and also against the weight of the evidence, as it was based on the speculative evidence Oracle offered in support of its hypothetical license theory, rather than on evidence of SAP's actual use of the copyrighted works and the objectively verifiable number of customers (and amount of business) lost as a result.

DISCUSSION

A. Legal Standards

Judgment as a matter of law is appropriate when "a party has been fully heard on an issue during a jury trial and the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue . . . ." Fed. R. Civ. P. 50(a)(1); see also Reeves v. Sanderson Plumbing Prods., Inc., 530 U.S. 133, 149 (2000).

A party must make a motion for judgment as a matter of law under Rule 50(a) before a case is submitted to the jury. If the judge denies or defers ruling on the motion, and if the jury then returns a verdict against the moving party, the party may renew its motion under Rule 50(b). In ruling on the renewed motion, the court may either "allow judgment on the verdict, if the jury returned a verdict," or "order a new trial," or "direct the entry of judgment as a matter of law." Fed. R. Civ. P. 50(b).

The standard for judgment as a matter of law "mirrors" that for granting summary judgment. Reeves, 530 U.S. at 150. The court "should review all of the evidence in the record,“ but “may not make credibility determinations or weigh the evidence.” Id. see also Josephs v. Pac. Bell, 443 F.3d 1050, 1062 (9th Cir. 2006). The court should give credence to the evidence favoring the non-moving party, as well as that evidence supporting the moving party that is uncontradicted and unimpeached, to the extent that it comes from disinterested witnesses. Reeves, 530 U.S. at 151 (quotation and citation omitted).

The test applied is whether the evidence permits only one reasonable conclusion, and that conclusion is contrary to the jury's verdict. Josephs, 443 F.3d at 1062. The verdict must be upheld if the evidence is adequate to support the jury’s conclusion, even if it is also possible to draw a contrary conclusion from the same evidence. Johnson v. Paradise Valley Unified Sch. Dist., 251 F.3d 1222, 1227 (9th Cir. 2001). However, judgment as a matter of law “is appropriate when the jury could have relied only on speculation to reach its verdict.” Lakeside-Scott v. Multnomah County, 556 F.3d 797, 803 (9th Cir. 2009).

The district court has discretion to order a new trial rather than grant judgment as a matter of law if it believes that the defect in the nonmoving party’s proof might be remedied on a second trial, or if needed evidence was ruled out at trial by some error of the court. See 9B Wright & Miller, Federal Practice and Procedure, Civil 3d § 2538 (2008). The language in the rule permits the court to exercise discretion to choose between the two alternatives. Cone v. West Virginia Pulp & Paper Co., 330 U.S. 212, 215 (1947).

This discretion to order a new trial under Rule 50(b) exists only if the moving party would be entitled to judgment as a matter of law. If that motion must be denied, the court has no power to order a new trial in favor of the moving party, except under the conditions specified in Rule 59(d), unless a motion for a new trial under Rule 59 has been joined in the alternative with the renewed motion under Rule 50(b). See Wright & Miller, § 2538.

Whether to grant a new trial is a matter of the trial court's discretion. City Solutions, Inc. v. Clear Channel Communications, 365 F.3d 835, 843 (9th Cir. 2004). Courts apply a lower standard of proof to motions for new trial than they do to motions for judgment as a matter of law. The court may grant a motion for a new trial even if the verdict is supported by substantial evidence, if it concludes that the verdict is contrary to the clear weight of the evidence, is based on evidence which is false, or would result in a miscarriage of justice. Silver Sage Partners, Ltd. v. City of Desert Hot Springs, 251 F.3d 814, 819 (9th Cir. 2001); see also Molski v. M.J. Cable, Inc., 481 F.3d 724, 729 (9th Cir. 2007). The court may weigh the evidence and may evaluate the credibility of the witnesses, and is not required to view the evidence from the perspective most favorable to the prevailing party. United States v. Kellington, 217 F.3d 1084, 1095 (9th Cir. 2000).

However, where a movant claims that a verdict is against the clear weight of the evidence, doubts about the correctness of the verdict are not sufficient grounds for a new trial. Landes Constr. Co., Inc. v. Royal Bank of Canada, 833 F.2d 1365, 1372 (9th Cir. 1987). "Courts are not free to reweigh the evidence and set aside the jury verdict merely because the jury could have drawn different inferences or conclusions or because judges feel that other results are more reasonable." Tennant v. Peoria & Pekin Union Ry. Co., 321 U.S. 29, 35 (1944). The trial court, after having given full respect to the jury's findings, must have a definite and firm conviction that the jury has made a mistake. Landes Constr. Co., 833 F.2d at 1371-72 (citations omitted).

Where the court concludes that a new trial is appropriate due to excessive damages, it may exercise its discretion to grant a new trial either without qualification, or conditioned on the winner's refusal to accept a reduction in damages, known as remittitur. See Gasperini v. Center for Humanities, Inc., 518 U.S. 415, 433 (1996); Fenner v. Dependable Trucking Co., Inc., 716 F.2d 598, 603 (9th Cir. 1983).

Put another way, once a trial court determines that damages are excessive, it has only two alternatives – either order a new trial, or deny the new trial, conditioned on the prevailing party accepting a remittitur. Fenner, 716 F.2d at 602-03. The standard for remittitur is the same as that for a motion for new trial based on excessive damages. Gasperini, 518 U.S. at 433. The proper amount of a remittitur is the maximum amount of damages that can be sustained by the evidence in the record. D & S Redi-Mix v. Sierra Redi-Mix & Contracting Co., 692 F.2d 1245, 1249 (9th Cir. 1982).

B. SAP's Motions

1. Judgment as a matter of law

SAP argues that it is entitled to judgment as a matter of law that Oracle is not entitled to actual damages for copyright infringement in the form of a hypothetical license, because Oracle did not establish that, but for infringement, it would have licensed the asserted copyrighted works for the use at issue, and because Oracle did not present evidence sufficient to value such a license, with the result that the award was based on undue speculation.

The Copyright Act allows recovery of either statutory damages, or "actual damages suffered by [the copyright owner] as a result of the infringement" plus "any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages." 17 U.S.C. § 504(a), (b). Actual damages are awarded to compensate for demonstrable harm caused by infringement. Polar Bear Prods., Inc. v. Timex Corp., 384 F.3d 700, 708 (9th Cir. 2004). When proof of actual damages or infringer's profits is insufficient, a copyright owner may elect to receive statutory damages, subject to having met other statutory requirements. See 17 U.S.C. §§ 412(2), 504(c).

Because actual damages must be suffered "as a result of the infringement," and recoverable profits must "be attributable to the infringement," id. § 504(b), the plaintiff bears the burden of proving the causal connection between the infringement and the monetary remedy sought. See, e.g., Polar Bear, 384 F.3d at 708; Mackie v. Rieser, 296 F.3d 909, 914-15 (9th Cir. 2002). This requirement "is akin to tort principles of causation and damages." Polar Bear, 384 F.3d at 708. In addition, while courts allow both direct and indirect evidence to establish loss, they will reject a proffered measure of damages if it is too speculative. Mackie, 296 F.3d at 915-16; see also Jarvis v. K2 Inc., 486 F.3d 526, 534 (9th Cir. 2007).

Actual damages are generally determined by the loss in the fair market value of the copyright, "measured by the profits lost due to the infringement or the value of the use of the copyrighted work to the infringer." Polar Bear, 384 F.3d at 708; see also Abend v.

MCA, Inc., 863 F.2d 1465, 1479 (9th Cir. 1988). Under this approach, the plaintiff must show that the fair market value of its work has been diminished because the infringement has adversely affected its ability to exercise the exclusive rights granted in § 106 of the Copyright Act. Abend, 863 F.2d at 1479-80. This market value approach requires "an objective, not a subjective analysis." Jarvis, 486 F.3d at 534 (citations and quotations omitted); Mackie, 296 F.3d at 917.

The Ninth Circuit has endorsed a retroactive license fee as one measure of the loss in fair market value of the copyright. "[I]n situations where the infringer could have bargained with the copyright owner to purchase the right to use the work, actual damages are what a willing buyer would have been reasonably required to pay a willing seller for the plaintiff's work." Jarvis, 486 F.3d at 533 (quoting Sid & Marty Krofft Television Prods, Inc. v. McDonald's Corp., 562 F.2d 1157, 1174 (9th Cir. 1977)); see also Polar Bear, 384 F.3d at 708-09 (confirming "the value of the use of the copyrighted work to the infringer" as among the actual damages available, and upholding jury award of license where plaintiff's expert provided credible evidence in support of awarded amount).

The jury was instructed as to both the fair market value license calculation for actual damages, and the lost profits/infringer's profits calculation for actual damages. On the verdict form, the jury was asked to state "the dollar amount that Oracle is entitled to from Defendants to compensate [it] for its actual damages under the copyright infringement claim, in the form of EITHER a fair market value license for the copyright infringement OR lost profits." The jury opted for the fair market value license, for which it awarded Oracle $1.3 billion.

SAP argues that Oracle's hypothetical license claim for the PeopleSoft, JDE, and Siebel works is unreasonable and unduly speculative. SAP contends that no court has ever awarded a lost license fee (measured "hypothetically" or otherwise) to a copyright plaintiff who did not actually lose license fees, or has ever awarded a lost license fee absent evidence of benchmark transactions, and contends that the evidence shows that Oracle did not suffer any damage in the form of lost license fees, and that Oracle's actual harm from infringement was minimal, as TomorrowNow ("TN") had relatively few customers.

SAP also asserts that the evidence shows that Oracle does not license the copyrighted works to provide third-party support, and that Oracle presented no objective evidence as to the value of a license, such as benchmark licenses for comparable use of comparable works (because, as an Oracle executive testified, there are no comparable licenses to the hypothetical license at issue here). Both sides' witnesses confirmed that such licenses would never have existed between SAP and Oracle. SAP argues that because no real-world benchmarks exist to prove objective market value, the jury's verdict was based on speculative evidence, including evidence of subjective "negotiation perspectives."

SAP contends that Oracle invented factors to price the hypothetical PeopleSoft/JDE and Siebel licenses at "at least" $1.66 billion. These factors included the amount Oracle executives claimed they would have charged for a license (unsupported by evidence of benchmark licenses or transactions, or prior licensing history of the subject works); the value of the infringed intellectual property as a whole and the costs of acquiring it; the cumulative liability evidence for stipulated claims; the factors cited by Oracle's damages expert Paul Meyer for determining the result of a "hypothetical negotiation" to use the PeopleSoft, JDE, and Siebel works; and the invitation to speculate as to the value of the hypothetical license, made to the jury by Oracle's counsel during closing argument.

In particular, SAP argues that the wide range of license values generated by Mr. Meyer's analysis – a range of $881 million to $2.69 billion – forced the jury to speculate, and notes that Mr. Meyer concluded without any reasoned explanation that the value of the PeopleSoft license would be "at least $1.5 billion," and proposed that the Siebel license would be worth "at least $100 million." SAP asserts that Oracle's counsel also encouraged the jury to speculate. Rather than offering objective evidence to assist the jury in determining a fair market value for the license that even Oracle admitted its expert could not quantify, Oracle's counsel invited the jury in his closing argument to engage in guesswork and simply pick a number between $1.66 billion and $3 billion.

SAP asserts that Oracle's database damages claim is similarly unreasonable and unduly speculative, as Oracle presented only one-sided testimony of "what it would have charged" for a license to use Oracle's database software; and the license calculation was not based on objective evidence (as no similar license exists), but rather on the unsupported speculation of a single Oracle employee, who admitted there was no "real world" transaction in which any customer had agreed to actually license the database software on this basis.

SAP contends that Oracle presented no objective evidence (such as benchmark licenses) relevant to the database license price or structure, and that Oracle's claim that it would have charged on a "per-customer" basis had no objective foundation and was unduly speculative, as there was no evidence Oracle had ever priced on a "per-customer" basis. SAP also asserts that Oracle presented only subjective testimony of what it claims it would have charged for a database license, rather than presenting objective evidence showing fair market value.

In addition, SAP argues, Oracle failed to analyze, much less substantiate, what TN, as a willing buyer, would have agreed to pay. SAP asserts that focusing on <u>only</u> what the willing seller would have agreed to – as Oracle has done here – is problematic, as Oracle's calculation deviated significantly from the standard pricing structure, did not arise from comparable benchmark licenses, and ultimately resulted in a licensing fee almost equivalent to TN's revenues for its entire 7-year history.

In sum, SAP argues that the evidence demonstrates that the "hypothetical license" fees that Oracle obtained as damages from the jury were not "actual" damages. Rather, SAP asserts, that award represented an unduly speculative, counterfactual, and punitive award that wholly failed to measure Oracle's actual damages – which, in fact, were in the form of lost profits, not lost license fees.

Oracle responds that it is undisputed that the Ninth Circuit accepts hypothetical license damages, and that the license should be measured by contemporaneous "objective considerations of market value," rather than after-the-fact events. Oracle asserts that the court has already rejected SAP's contention that Oracle is ineligible for hypothetical license damages (referring to the January 28, 2010 order denying SAP's motion for partial summary judgment).

Oracle contends that SAP took rights for which Oracle was entitled to charge, and that it is irrelevant whether the parties would actually have reached an agreement or even attempted to negotiate one. Oracle asserts that an infringer who takes for free what the copyright owner has the right to license, automatically and immediately deprives the owner of the license fee it was entitled to receive. Oracle claims that the authorities cited by SAP impose no additional causation burden.

Oracle contends that the evidence it presented proved the fair market value of the hypothetical license, and that the evidence shows that it invested billions in its intellectual property in reliance on its right to control and protect it, as did SAP; and that the purchase price of PeopleSoft and Siebel was commensurate with their expected value to Oracle, and constitutes objective evidence of the fee that it would have charged to license the software.

Oracle asserts that the evidence also shows that SAP's infringement was vast, that TN's use of Oracle's copyrighted software was intended as a means to convert customers to SAP applications, and that SAP had plans to convert more than half of the PeopleSoft customers; that SAP's executive board gave "extensive guidance" on SAP's plans to use TN to generate billions in revenue and disruption; and that TN used Oracle's intellectual property as a means of containing Oracle's growth and reducing Oracle's ability to invest in research and development.

Oracle argues that a prudent copyright owner and a prudent licensee, in the positions of Oracle and SAP, would have considered the level of infringement, the value of the infringed works, and the top-level business decisions behind the infringement when negotiating and deciding on the scope and value of a hypothetical license. Oracle contends that Mr. Meyer's testimony relied on the undisputed principle that the willing-buyer, willing-seller hypothetical license framework should account for the <u>Georgia-Pacific</u>

factors.[1] Oracle also claims that Mr. Meyer showed how his consideration of this evidence supported his opinion regarding the value of the hypothetical license, how he weighed each party's "negotiating perspective" and the evidence of their projected financial and other strategic motivations, and how he applied an established valuation methodology to that evidence to determine the fair market value of SAP's infringing use of Oracle's software.

Oracle argues that the hypothetical Database license valuation was also supported by substantial and undisputed evidence. Oracle contends that the testimony of the Oracle executives was not the only evidence that supported Mr. Meyer's calculation of the hypothetical license award, and it is not true that the "benchmark" license is the only objective measure of a reasonable license fee. Oracle notes that experts from both sides used Oracle's historical Database price lists, as a reasonable benchmark in calculating the Database license value.

The court finds that the motion must be GRANTED. At trial, Oracle presented no evidence, and did not argue, that it was entitled to a hypothetical license fee because it lost an opportunity to license the works to third parties for the same use as was made by TN. Indeed, Oracle admitted that it had never given any entity a license to copy Oracle's application software and support materials in order to create their own fixes, patches, or updates for customers. Thus, Oracle could not reasonably claim that SAP's infringement diminished the licensing value of the infringed works.

Thus, to establish its entitlement to recover hypothetical license damages, Oracle was required to show that, but for infringement, the parties would have agreed to license the use of the copyrighted works at issue. However, Oracle offered no evidence of the type on which plaintiffs ordinarily rely to prove that they would have entered into such a license,

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[1] The Federal Circuit has adopted the factors articulated by the court in Georgia-Pacific Corp. v. U.S. Plywood Corp., 318 F.Supp. 1116, 1119-10 (S.D.N.Y. 1970), as a method of determining the amount of a hypothetically negotiated royalty for a patent license. See, e.g., Uniloc USA, Inc. v. Microsoft Corp., 632 F.3d 1292, 1311-19 (Fed. Cir. 2011); Finjan, Inc. v. Secure Computing Corp., 626 F.3d 1197, 1207-12 (Fed. Cir. 2010). It is less clear whether and to what extent those factors are applicable to the determination of hypothetical license damages in a copyright infringement case.

such as past licensing history or a plaintiff's previous licensing practices. See, e.g., Polar Bear, 384 F.3d at 711; On Davis v. The Gap, Inc., 246 F.3d 152, 161-62 (2nd Cir. 2001).

Apart from this, the evidence Oracle presented was insufficient to establish an objective non-speculative license price. Determining a hypothetical license price requires an "objective, not a subjective" analysis, and "[e]xcessively speculative" claims must be rejected. Jarvis, 486 F.3d at 534; Polar Bear, 384 F.3d at 709; Mackie, 296 F.3d at 917; On Davis, 246 F.3d at 166. An objective, non-speculative license price is established through objective evidence of benchmark transactions, such as licenses previously negotiated for comparable use of the infringed work, and benchmark licenses for comparable uses of comparable works. See Jarvis, 486 F.3d at 533-35; Polar Bear, 384 F.3d at 709.

Here, Oracle failed to present evidence of benchmark licenses. Indeed, Oracle executives testified that Oracle has never granted a comparable license that would permit a competitor to use Oracle software to compete for Oracle's customers, and that such a license would be "unique" and "unprecedented." Nor were the Oracle executives aware of any analogous situations in which any other company had licensed software to or from a competitor to provide support services. Moreover, damages experts on both sides agreed that no benchmark licenses exist, and the evidence Oracle did present proved that the parties would never have agreed to a license. Absent evidence of benchmarks, Oracle cannot recover a lost license fee award, because any such award would be based on a subjective, not an objective, analysis of fair market value.

Objective evidence is necessary to price a hypothetical license because the hypothetical license is simply a construct designed to help calculate actual damages suffered as a result of the infringement (the measure of damages under the copyright statute). The amount of the hypothetical license must be based on the actual use the defendant made of the work, not simply the highest use for which the plaintiff might license. See On Davis, 246 F.3d at 166 n.5; see also Jarvis, 486 F.3d at 535 (distinguishing making the plaintiff whole from punishing the infringer by charging the highest price possible)).

Although the Ninth Circuit has never explicitly held that hypothetical damages are not available absent actual proof that the plaintiff would have licensed the infringed work to the defendant or a third party for the specific use at issue, and proof that the infringement caused the loss of that opportunity, it is also true, as SAP notes, that the Ninth Circuit has never upheld a hypothetical license award absent such actual proof. See Polar Bear, 384 F.3d at 704, 709 (defendant had license, but it had expired); Jarvis, 486 F.3d at 528, 533-34 (plaintiff had licensed photos to defendant in the past); Mackie, 296 F.3d at 913, 917 (parties were not competitors and plaintiff had previously given permission for others to use its materials in same way); Cream Records, Inc. v. Jos. Schlitz Brewing Co., 754 F.2d 826, 827-28 (9th Cir. 1985) (unauthorized use of copyrighted song in defendant's commercial deterred potential licensees from licensing the song for their own commercials).[2]

Oracle's suggestion – that upon proof of infringement, copyright plaintiffs are automatically entitled to seek "hypothetical" license damages because they are presumed to have suffered harm in the form of lost license fees – has no support in the law. Lost license fees are simply a method of calculating "actual damages suffered by [the owner] as a result of the infringement." 17 U.S.C. § 504(b). Thus, a plaintiff must prove that the license fees were actually lost as a result of the infringement. Oracle appears to be, in effect, asking the court to amend § 506(b) by reading in the Patent Act's requirement that an award of (patent) damages be "in no event less than a reasonable royalty for the use of the invention by the infringer . . . ." 35 U.S.C. § 284.

Moreover, the Ninth Circuit has expressly rejected the argument that damage in the form of lost licensing opportunities may be "presumed" as a "natural and probable result" of infringement. See Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc., 772 F.2d 505, 513-14

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[2] Similarly, while the Ninth Circuit has not held that hypothetical license damages are never available in cases where the parties are competitors, the cases in which the court has affirmed a hypothetical license have involved non-competitors. See, e.g., Wall Data, Ltd. v. LA County Sheriff's Department, 447 F.3d 769 (9th Cir. 2006) (software developer vs. municipal customer); Polar Bear (watch company vs. film production company); Frank Music (music production company vs. hotel); Jarvis (photographer vs. advertiser); and Mackie (artist v. symphony). Nor has the Ninth Circuit ever affirmed a hypothetical license award where no comparable transactions established the likelihood of a license between the parties.

& n.8 (9th Cir. 1985) (in seeking to recover value of use damages, a copyright owner is still required to prove actual damages, and is not allowed to simply rely on some presumption).

Oracle claims that SAP's position is that direct competitors may never recover actual damages in the form of lost license fees, or that copyright plaintiffs may not recover lost license damages unless they have licensed their copyrighted works. This interpretation is not entirely accurate, as what SAP argues is that the circumstances presented here – the parties directly compete, and Oracle never previously licensed the copyrighted works – provide evidence that no license fees were lost, particularly given the lack of benchmark transactions or other evidence showing the parties would have agreed to a license.

The court's prior ruling denying SAP's motion for partial summary judgment does not dispose of the present motion. In the January 28, 2010 order, the court commented as a general matter that "[g]eneral tort principles of causation and damages apply when analyzing compensatory damage awards for copyright infringement," including actual damages. The court also stated that Oracle "is not required to prove that it would have successfully negotiated a license with SAP, nor is it precluded from seeking license damages simply because it has never before licensed what SAP infringed."

That ruling was based on the court's analysis of the relevant Ninth Circuit cases, but was not intended as a definitive ruling as to what Oracle was or was not required to show. At that stage of the litigation, having not yet had the benefit of the evidence presented at the trial, the court was unwilling to rule as a matter of law that Oracle could never prove entitlement to hypothetical license damages, which was what SAP appeared to be arguing. In the court's view, the most salient guidance provided by that order was the instruction that Oracle could claim lost license fees only if it "present[ed] evidence sufficient to allow the jury to assess fair market value without 'undue speculation.'"

SAP's motion was denied because the court was unable to find as a matter of law that Oracle could not prove it had suffered damages from lost license fees simply because it had never previously licensed the intellectual property, and specifically had not licensed it to SAP. The finding was not that Oracle was entitled to lost license fees, but rather that

Oracle could proceed to trial to prove that it was. Oracle did not move for summary judgment on this issue, and the court was not privy to discovery but fully anticipated that Oracle would present objective evidence in support of lost license fees. Instead, the evidence showed that Oracle had not only not licensed to anyone (including SAP) in the past, but would not ever license to anyone (including SAP).

That is, in allowing the theory to proceed to trial, the court expected to see objective evidence showing some licensing activity either by Oracle or by some other company in the related industry – if not from Oracle/SAP's prior dealings – and objective evidence of what a willing buyer would have reasonably paid, not simply what Oracle would have demanded. However, Oracle failed to present such objective, non-speculative evidence.

The Copyright Act requires proof of "actual damages suffered by [the owner] as a result of the infringement," and SAP is correct that no court has awarded a lost license fee in the absence of evidence that the copyright holder actually lost license fees. While SAP's argument regarding the availability of hypothetical license damages does not differ in substance from the argument it made prior to trial in its motions for summary judgment (which the court denied), the court now has the benefit of having heard all the evidence.

Without the fully developed trial record, the court was unable to tell whether there was a past history of licensing or that Oracle would absolutely not have agreed to license the materials to anyone. Now, however, given the lack of history of past licensing of the copyrighted material to anyone (not just to SAP), and the lack of any evidence that Oracle would ever license the material to SAP or to anyone in the future, coupled with the absence of any benchmark evidence upon which to determine the value of a license, the court finds no support for awarding Oracle actual damages in the form of lost license fees.

The standard in a motion for judgment as a matter of law is that the motion should be granted only if the evidence permits only one reasonable conclusion, and that conclusion is contrary to the jury's verdict. The jury was instructed that the damages award "must be based on evidence, not on speculation, guesswork, or conjecture," although they were also instructed that "[d]etermining the fair market value of the rights infringed may involve some uncertainty" and that Oracle was "not required to establish its actual damages with precision." The court finds that there was insufficient evidence for a reasonable jury to find that Oracle was entitled to a hypothetical license, and judgment shall be entered in SAP's favor on this issue, pursuant to Rule 50.

2. New trial

SAP argues that the reasons that justify granting judgment as a matter of law also support granting the motion for a new trial – that the $1.3 billion verdict vastly exceeds any harm to Oracle, and is contrary to the clear weight of evidence. In the alternative, SAP asserts that the court should reduce the amount of the damages to the maximum amount of lost profits and infringer's profits sustainable by the proof.

SAP contends that the $1.3 billion award resulted from Oracle's presentation of speculative evidence that was given the imprimatur of expert opinion, irrelevant evidence regarding the purported value of the intellectual property as a whole, and liability evidence, which was prejudicial because liability was not in issue.

As in its arguments in support of the motion for judgment as a matter of law, SAP asserts that Oracle's improper hypothetical license theory was based on speculation, and that rather than focusing on the value of SAP's actual use of the copyrighted works, Oracle and Mr. Meyer confused the jury with fictitious and speculative "negotiation" factors, which Mr. Meyer claimed were consistent with the Georgia-Pacific factors, but which SAP asserts did not resemble those used in Georgia-Pacific. Instead, SAP argues, Mr. Meyer crafted his own factors to suit the speculative evidence he found in SAP's documents.

SAP also asserts that the amount awarded by the jury far exceeds Oracle's actual harm. SAP contends that the actual harm to Oracle cannot be measured by evidence of SAP's goals and aspirations regarding TN, but rather by, for example, the number of customers or amount of business that TN attracted away from Oracle. SAP argues that the $1.3 billion award purportedly represents what a prudent willing buyer and seller would have agreed was a reasonable fee to use the copyrighted works as part of a marketing plan to persuade Oracle customers to migrate to SAP, but asserts that Oracle failed to present evidence establishing SAP's valuation of TN's impact, and that the evidence that was presented showed, overwhelmingly, that Oracle itself did not expect customers to migrate to SAP because of TN.

SAP asserts that even had Oracle suffered harm in the form of lost license fees, the jury's award greatly surpassed any rational quantification of fees for a non-exclusive, non-transferable, license of limited purpose and duration to use the copyrightable elements of the software, as the award improperly included the value of non-protectable elements of the infringed works, the price to acquire whole companies, and the cost to develop unrelated products. Thus, SAP argues, the award was speculative and excessive and should be set aside.

In addition, SAP contends that the award was influenced by Oracle's presentation of irrelevant and prejudicial liability evidence – particularly the evidence regarding liability – and by Oracle's repeated usage of words like "theft" and "stealing" to describe SAP's actions. SAP argues that Oracle conflated issues of liability and concepts of punishment with the need to calculate damages under copyright law, which does not permit punitive damages. SAP contends that the prejudice was exacerbated because SAP's witnesses were not permitted to testify about steps SAP took to mitigate the risk of infringement, and Oracle subsequently argued to the jury that it should draw a negative inference from the lack of mitigating evidence.

In response, Oracle argues, that substantial evidence supported the hypothetical license award, and that the award is based on TN's "pervasive use" of Oracle's software, which Oracle claims justified the amount of the award. Oracle contends that the liability evidence it presented at trial was highly relevant as "background or context" and caused no undue prejudice. Oracle also asserts that Mr. Meyer's analysis was properly grounded in Georgia-Pacific, and that the jury's award does not exceed the amount of actual harm, because the harm to Oracle cannot be measured by lost profits. Oracle contends that SAP infringed a vast scope of work, with the intention of harming Oracle and of containing Oracle's future growth.

With regard to the remittitur, Oracle contends that SAP is simply asking the court to substitute its (SAP's) view of the evidence and proper damages amount for the jury's, by reducing the award to the "maximum lost profits and infringer's profits supported by the evidence." Oracle claims that the jury rejected that measure of damages when it decided that a fair market value license measured Oracle's damages better than lost profits. Oracle claims that the jury simply required SAP to pay for the value of what it took. According to Oracle, this is not "shocking to the conscience," but rather is "justice."

The court finds that the $1.3 billion verdict is contrary to the weight of the evidence. Rather than providing evidence of SAP's actual use of the copyrighted works, and objectively verifiable number of customers lost as a result, Oracle presented evidence of the purported value of the intellectual property as a whole, elicited self-serving testimony from its executives regarding the price they claim they would have demanded in an admittedly fictional negotiation, and proffered the speculative opinion of its damages expert, which was based on little more than guesses about the parties' expectations. At the same time, Oracle urged the jury to disregard evidence of Oracle's actual customer losses resulting from infringement. Thus, the verdict grossly exceeded the actual harm to Oracle in the form of lost customers, which was quantified by Oracle's expert at $408.7 million, and alternatively at $272 million, and by SAP's expert at $28 million.

Having already determined that SAP is entitled to judgment as a matter of law that Oracle is not entitled to actual damages for copyright infringement in the form of a hypothetical license, the court finds that the motion for a new trial must be GRANTED, conditional upon Oracle's rejection of a remittitur to $272 million, the maximum amount of lost profits and infringer's profits sustainable by the proof.

Prior to the trial, the court ruled that Oracle could not recover lost profits/infringer's profits <u>and</u> hypothetical license damages, and Oracle chose to limit its presentation largely to hypothetical license damages. Mr. Meyer did testify as to lost profits/infringer's profits, but only on cross-examination. The jury was not asked to make a finding on both lost profits/infringer's profits and hypothetical license damages, and opted for an award of hypothetical license damages.

However, entitlement to hypothetical license damages is simply one theory of damages, and the finding that Oracle is not entitled to recover damages for a hypothetical license does not entirely resolve the parties' dispute. Although a motion for a new trial is generally made as an alternative to a motion for judgment as a matter of law, given the unusual procedural posture of this case, the court finds that both are warranted here.

The court may grant a new trial if it finds that the verdict would result in a miscarriage of justice. Silver Sage Partners, 251 F.3d at 819. Although the court herein grants judgment in SAP's favor on the issue of hypothetical license damages, Oracle is still entitled to damages, given SAP's admission of liability. Thus, having failed to establish entitlement to an award of hypothetical license damages, Oracle must be allowed to recover actual damages in the form of lost profits/infringer's profits. A contrary result would be unjust and would constitute a miscarriage of justice.

Both SAP's damages expert Richard Clarke and Oracle's damages expert Mr. Meyer offered opinions on Oracle's actual lost support profits and SAP's infringer's profits resulting from TN's use of the copyrighted works. Mr. Clarke calculated lost profits of $19.3 million and infringer's profits of $8.7 million – a total of $28 million. Mr. Meyer calculated $120.7 in lost profits and $288 million in infringer's profits – a total of $408.7 million; and under an alternative scenario, calculated $36 million in lost profits, and $236 million in infringer's profits – a total of $272 million.

SAP argues that a remittitur to the lowest of these figures – the $28 million calculated by Mr. Clarke – would be appropriate, but also suggests that a remittitur to the lower figure calculated by Mr. Meyer – $272 million – is supported by the evidence. SAP contends, however, that in no case should the amount of the remittitur exceed the higher amount calculated by Mr. Meyer – $408.7 million.

The court questions whether the $408.7 million figure is supported by the evidence. Mr. Meyer testified that his $120.7 million lost profits calculation represented Oracle's lost profits through 2015, "to reflect the ongoing impact" of the infringement, and that this calculation differed from Mr. Clarke's analysis in that Mr. Clarke calculated lost profits and infringer's profits through the wind-down of TN's operations in October 2008. In his alternative scenario, Mr. Meyer also calculated lost profits through the wind-down of TN's operations in October 2008. This calculation produced the $36 million in lost profits that constituted part of the $272 million damages figure.

Mr. Meyer testified that his calculation of infringer's profits "ranges down" to $236 million because there are three customers "where there's some issues still that sort of exist about the role of TomorrowNow in converting those customers to SAP." He testified that Mr. Clarke excluded more customers from his calculation of lost profits and infringer's profits based on the conclusion that these customers would have left Oracle or would have purchased from SAP even absent TN's infringing activities.

The court finds that Mr. Meyer's $408.7 million calculation is not supported by proof. It is undisputed that SAP ceased TN's operations (and any infringement of Oracle's copyrighted works) in late 2008. Oracle provided no evidence to support an additional $84.7 million for "ongoing impact" for seven years following TN's demise. In addition, Mr. Meyer's justification for the larger calculation of infringer's profits is unduly speculative. On the other hand, SAP's much lower calculation is not supportable, as it was largely based on evidence that the court had ruled was inadmissible.

Accordingly, the court finds that the "maximum amount sustainable by the proof," see D & S Redi-Mix, 692 F.2d at 1249, is $272 million. Accordingly, Oracle may accept a remittitur to $272 million, or the court will order a new trial as to the amount of actual damages in the form of lost profits/infringer's profits.

C. Oracle's Motion

Oracle filed a "conditional motion" for a new trial pursuant to Rule 59, in which it asserts that it "does not seek a new trial," but also argues that in the event the court orders a new trial, the court should also permit Oracle to put on evidence as to various damages-related issues. SAP contends that the motion should be denied because it is a disguised (and premature) motion in limine, seeking reconsideration and reversal of certain evidentiary and instructional rulings made prior to (or during) the trial that is the subject of SAP's present motions. SAP argues that Rule 59 does not permit such relief, and that even if it did, there is no reason for the court to reverse its prior rulings.

The motion is DENIED. The court is unaware of any authority supporting a Rule 59 motion for a new trial by a party that has prevailed in a trial. If Oracle rejects the remittitur and opts for a new trial, the parties will be limited to putting on evidence regarding lost profits. At this stage, further discussion of the particulars of a new trial is premature.

CONCLUSION

In accordance with the foregoing, the court GRANTS judgment as a matter of law as to the award of hypothetical license damages. The court finds further that the award of hypothetical license damages totaling $1.3 billion was contrary to the weight of the evidence, and was grossly excessive. Given SAP's concession of liability, and request for a remittitur, the court GRANTS the motion for a new trial as to actual damages, conditioned on Oracle's rejection of a remittitur to $272 million. Should Oracle reject the remittitur, the court will order a new trial as to actual damages in the form of lost profits/infringer's profits only. The court DENIES Oracle's "conditional motion" for a new trial.

Oracle shall submit a statement accepting or rejecting the remittitur no later than September 30, 2011 (or the parties shall submit a stipulated request for additional time, if necessary). Having found that the award of damages for copyright infringement is unjustified, that portion of the February 3, 2011 judgment awarding $1.3 billion for hypothetical license damages is VACATED.

IT IS SO ORDERED.

Dated: September 1, 2011

PHYLLIS J. HAMILTON
United States District Judge