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12 NEC Corporation of America

13 **UNITED STATES DISTRICT COURT**
NORTHERN DISTRICT OF CALIFORNIA
14 **SAN FRANCISCO DIVISION**

15 ORACLE AMERICA, INC., a Delaware
corporation and ORACLE INTERNATIONAL
16 CORPORATION, a California corporation,

17 Plaintiffs,

18 v.

19 NEC CORPORATION OF AMERICA, a
Nevada corporation,

20 Defendant.

21 NEC CORPORATION OF AMERICA, a
Nevada corporation,

22 Counterclaim Plaintiff,

23 v.

24 ORACLE AMERICA, INC., a Delaware
25 corporation and ORACLE INTERNATIONAL
26 CORPORATION, a California corporation,

27 Counterclaim Defendants.
28

Case Number: 3:21-cv-05270-CRB

**DEFENDANT NEC CORPORATION OF
AMERICA’S ANSWER TO COMPLAINT
FOR COPYRIGHT INFRINGEMENT
AND BREACH OF CONTRACT,
AFFIRMATIVE DEFENSES, AND
COUNTERCLAIMS**

AND

DEMAND FOR JURY TRIAL

Complaint Filed: July 8, 2021
Answer/Countercl. Filed: Sept. 1, 2021
Judge: Hon. Charles R. Breyer, CR 6

1 Defendant NEC Corporation of America (“NECAM”) hereby responds to Plaintiff Oracle
2 America, Inc.’s (“Oracle America”) and Oracle International Corporation’s (“Oracle International”)
3 (together “Oracle”) Complaint for Copyright Infringement and Breach of Contract (“Complaint”).
4 NECAM denies all allegations in the Complaint, whether express or implied, that are not specifically
5 admitted below. Any factual allegation below is admitted only as to the specific admitted facts and
6 not as to any purported conclusions, characterizations, implications, or speculations that arguably
7 follow from the admitted facts. NECAM further denies that Oracle America and Oracle International.
8 are entitled to the requested relief or any other relief.

9 PARTIES

10 1. Plaintiff Oracle America, Inc. (“Oracle America”) is a corporation organized under
11 the laws of the State of Delaware with its principal place of business at 500 Oracle Parkway, Redwood
12 Shores, California 94065. Oracle America develops and licenses certain intellectual property,
13 including the Oracle Database, its database management software, and provides related support and
14 consulting services to its licensed customers.

15 **ANSWER:** NECAM lacks knowledge or information sufficient to form a belief as to the truth
16 of the allegations in this paragraph and therefore denies the same.

17 2. Plaintiff Oracle International Corporation (“Oracle International”) is a corporation
18 organized under the laws of the State of California with its principal place of business at 500 Oracle
19 Parkway, Redwood Shores, California 94065. Oracle International owns and licenses certain
20 intellectual property, including the Oracle Database. Oracle International, either on its own or jointly
21 with Oracle America (depending on the registration), holds all interest, right, and title to the
22 copyrights in the Oracle Database and the right to bring claims for infringement of those copyrights.

23 **ANSWER:** NECAM lacks knowledge or information sufficient to form a belief as to the truth
24 of the allegations in this paragraph and therefore denies the same.

25 3. Defendant NEC Corporation of America (“NECAM”) is a corporation organized
26 under the laws of the State of Nevada with its headquarters and principal place of business at 3929 W
27 John Carpenter Freeway, Irving, Texas, 75063. On information and belief, NECAM conducts
28 substantial business operations and has customers around the United States, including within

1 California and the Northern District of California. On information and belief, NECAM offers a range
2 of software and hardware products for end users across a spectrum of industries. On information and
3 belief, NECAM is a subsidiary of NEC Corporation, a Japanese multinational information technology
4 company headquartered in Minato, Japan.

5 **ANSWER:** NECAM admits that it is a corporation organized under the laws of the State of
6 Nevada with its headquarters and principal place of business at 3929 W John Carpenter
7 Freeway, Irving, Texas, 75063. NECAM admits that it conducts business operations and has
8 customers around the United States, including within California. NECAM admits that it offers
9 a range of software and hardware products for end users across a spectrum of industries.
10 NECAM admits that it is a subsidiary of NEC Corporation, which is a multinational
11 information technology company headquartered in Minato, Tokyo, Japan. NECAM lacks
12 knowledge or information sufficient to form a belief as to the truth of any remaining
13 allegations in this paragraph and therefore denies the same.

14 **JURISDICTION AND VENUE**

15 4. The Court has subject matter jurisdiction under 28 U.S.C. §§ 1331, 1338, and 1367.
16 This is an action for copyright infringement arising under the Federal Copyright Act, 17 U.S.C. §§
17 101 *et seq.* This Court has subject matter jurisdiction over the copyright infringement claim pursuant
18 to 28 U.S.C. §§ 1331 and 1338. This Court has supplemental jurisdiction over the state law claim
19 pursuant to 28 U.S.C. § 1367.

20 **ANSWER:** This paragraph recites no factual allegation. Assertions about the applicability of
21 statutes and the existence of jurisdiction are questions of law for the Court to decide and,
22 therefore, require no answer. NECAM denies that Oracle's claims have merit.

23 5. The Court also has subject matter jurisdiction under 28 U.S.C. § 1332. The matter in
24 controversy exceeds the sum or value of \$75,000, exclusive of interest and costs, and the action is
25 between citizens of different States.

26 **ANSWER:** The applicability of statutes and the existence of jurisdiction are questions of law
27 for the Court to decide and, therefore, require no answer. NECAM lacks knowledge or
28

1 information sufficient to form a belief as to the truth of the remaining allegations in this
2 paragraph and therefore denies the same.

3 6. This Court has personal jurisdiction over NECAM because NECAM has consented to
4 the exclusive jurisdiction of, and venue in, the courts in San Francisco and Santa Clara counties in
5 California, in any disputes arising out of or relating to the Oracle PartnerNetwork Agreement (“OPN
6 Agreement”) and the related Master Distribution Agreement (“MDA”) between NECAM and Oracle
7 America, and this is such a dispute. *See* 2018 MDA § Q(1) (“This Agreement is governed by the
8 substantive and procedural laws of the State of California and you and Oracle agree to submit to the
9 exclusive jurisdiction of, and venue in, the courts in San Francisco or Santa Clara counties in
10 California, in any dispute arising out of or relating to this agreement.”); 2020 OPN Agreement § W(1)
11 (“This agreement is governed by the substantive and procedural laws of the State of California and
12 you and Oracle agree to submit to the exclusive jurisdiction of, and venue in, the courts in San
13 Francisco or Santa Clara counties in California in any disputes arising out of or relating to this
14 agreement.”).

15 **ANSWER:** The meaning and effect of contract language and the existence of jurisdiction and
16 propriety of venue in this Court are all questions of law for the Court to decide and, therefore,
17 require no answer. NECAM admits that the OPN Agreement and the MDA contain the
18 language recited above.

19 7. The Court also has jurisdiction over NECAM because NECAM has conducted and
20 regularly conducts business within the State of California and within this judicial district. For
21 example, on information and belief, NECAM is registered with the California Secretary of State to
22 do business in California, has offices located [in] California, has employees who work and reside in
23 California, and has one or more customers located in California. On information and belief, NECAM
24 – directly or through intermediaries – makes, distributes, offers for sale or license, sells or licenses,
25 or advertises its products and services in the United States, the State of California, and the Northern
26 District of California.

27 **ANSWER:** The existence of jurisdiction is a question of law for the Court to decide and,
28 therefore, requires no answer. NECAM admits the factual allegations of this paragraph.

1 12. Oracle currently licenses the Oracle Database in different editions, including Standard
2 Edition 1 (“Database SE1”), Standard Edition 2 (“Database SE2”), and a more robust (and expensive)
3 Enterprise Edition (“Database EE”). Oracle also offers specialized programs that supplement or
4 complement the Oracle Database and address particular customer requirements, including Real
5 Application Clusters, Partitioning, Diagnostics, and Tuning Pack (the “Database Options and Packs”).

6 **ANSWER:** NECAM lacks knowledge or information sufficient to form a belief as to the truth
7 of the allegations in this paragraph and therefore denies the same.

8 13. Oracle is the owner or exclusive licensee of the copyrights and copyright applications
9 for the Oracle Database and the Database Options and Packs. The works are properly registered with
10 the United States Copyright and Trademark Office, as alleged in more detail below. [Associated
11 Oracle footnote:] Because Database SE1 and Database SE2 (collectively “Database SE”) share the
12 same code base as Database EE, Oracle’s “Oracle Database” copyright registrations cover both
13 Database SE and Database EE. *See infra* ¶ 39 (table of copyright registrations).

14 **ANSWER:** NECAM lacks knowledge or information sufficient to form a belief as to the truth
15 of the allegations in this paragraph or the associated footnote and therefore denies the same.

16 14. As part of its business and in certain circumstances, Oracle allows third-party
17 companies – members of the Oracle PartnerNetwork (“OPN”) – to duplicate the Oracle Database (and
18 other Oracle software, including the Database Options and Packs) and distribute it, either on its own
19 or with other software applications, to end users. Oracle offers OPN members multiple ways to
20 distribute Oracle software (and associated licenses) to end users, including, but not limited to, the
21 three alternative distribution methods listed below, provided the OPN member has an active OPN
22 membership and has entered into a Master Distribution Agreement with a specific distribution
23 addendum with Oracle that covers the method of distribution to be used. The distribution methods
24 listed below are listed in order of increasing breadth, flexibility, and cost:

- 25 (i) Embedded Software License (“ESL”) – Oracle grants the OPN member a right to
26 distribute to end users Oracle software, and a license for it, “embedded” within one or
27 more specified applications developed by the member. To obtain this right, the OPN
28 member must execute an Embedded Software License Distribution Addendum (“ESL

1 Addendum”), and its distributions are subject to the terms and conditions of the OPN
2 Agreement, Master Distribution Agreement, and the ESL Addendum. This is the most
3 restrictive distribution method, as the ESL Addendum, among other things, imposes
4 strict limitations on exactly how an OPN member must embed the Oracle programs
5 and how its end users can access the Oracle programs.

6 (ii) Application Specific Full Use (“ASFU”) – Oracle grants the OPN member a right to
7 distribute to end users Oracle software, and a license for it, solely for use in
8 conjunction with one or more specified applications developed by the OPN member.
9 To obtain this right, the OPN member must execute an Application Specific Full Use
10 Distribution Addendum (“ASFU Addendum”), and its distributions are subject to the
11 terms and conditions of the OPN Agreement, Master Distribution Agreement, and
12 ASFU Addendum. This method is broader and more flexible (and more expensive)
13 than the ESL method described above but still limits the end user to using the licensed
14 Oracle software only with the specific application(s) that the member identifies to
15 Oracle.

16 (iii) Full Use – Oracle grants the OPN member a general right to distribute to end users
17 Oracle software, and a license for it, without the requirement, among other things, that
18 it be used solely in conjunction with an application developed by the OPN member.
19 To obtain this right, the OPN member must execute a Full Use Distribution Addendum
20 (“Full Use Addendum”), and its distributions are subject to the terms and conditions
21 of the OPN Agreement, Master Distribution Agreement and Full Use Addendum. This
22 is the broadest, most flexible, and most expensive method.

23 **ANSWER:** NECAM lacks knowledge or information sufficient to form a belief as to the truth
24 of the allegations in this paragraph and therefore denies the same.

25 15. Per Oracle’s standard policy, under each of the three distribution methods listed above,
26 an OPN member is required to pay to Oracle a license fee for all Oracle software that it distributes
27 and a support fee for support services from Oracle, if ordered, for the distributed Oracle software, and
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1 an annual technical support fee each year for ongoing support services from Oracle, if ordered, for
2 the distributed Oracle software.

3 **ANSWER:** NECAM lacks knowledge or information sufficient to form a belief as to the truth
4 of the allegations in this paragraph and therefore denies the same.

5 **B. NECAM’s Unauthorized Use of the Oracle Database and the Database Options and**
6 **Packs**

7 16. For more than fifteen years, NECAM was an OPN member with an active OPN
8 Agreement with Oracle. NECAM first entered into an OPN Agreement with Oracle in or before
9 2004, and the parties renewed their OPN Agreement from time to time, most recently effective in
10 August 2020. The parties’ OPN Agreement set forth general terms that governed NECAM’s OPN
11 membership, and it provided NECAM with a limited license to use Oracle software to develop
12 value-added applications that incorporated Oracle software under the following terms and
13 conditions:

14 “Oracle grants you a non-exclusive, limited license to use the technology programs
15 identified in the OPN policies for your partner level to: (a) demonstrate, develop or
16 prototype your value added package for the intended commercial use of multiple end users;
17 (b) provide technical support for employees and end users solely in connection with your
18 value added package that you distribute pursuant to a distribution agreement with Oracle
19 that authorizes you to provide technical support for the Oracle programs; and (c) provide
20 training for the value added package to employees and end users to whom you have
21 distributed the value added package pursuant to a distribution agreement with Oracle.

22 Development licenses may not be used to develop or administer your value added package
23 for the exclusive use of a specific end user.”

24 *See* 2020 OPN Agreement § C(2) (emphasis added).

25 [Associated Oracle footnote:] NECAM was an OPN member (or “associate” member) through an
26 OPN membership of its corporate parent, NEC Corporation. NECAM entered into its OPN
27 Agreement with Oracle by written agreement of its corporate parent NEC Corporation.
28

1 **ANSWER:** NECAM admits that it was an OPN member with an active OPN Agreement
2 with Oracle for more than 15 years. NECAM admits that it entered into an OPN Agreement
3 with Oracle around 2004, and that the parties have renewed the OPN Agreement from time
4 to time, including a renewal with an effective date in or around August 2020. NECAM
5 admits that the block language recited in paragraph 16 appears absent added emphasis in the
6 2020 OPN Agreement § C(2). NECAM denies the remainder of the allegations in this
7 paragraph.

8 17. In addition to entering into the OPN Agreement, NECAM and Oracle entered into
9 other written agreements that provided – and expressly defined – NECAM’s right to distribute
10 Oracle software to end users. These additional agreements include, but are not limited to, the
11 following:

- 12 • Oracle PartnerNetwork Application Specific Full Use Program Distribution Agreement,
13 effective March 7, 2005;
- 14 • Oracle PartnerNetwork Application Specific Full Use Program Distribution Agreement,
15 effective April 18, 2007;
- 16 • Oracle PartnerNetwork Application Specific Full Use Program Distribution Agreement,
17 effective August 24, 2009;
- 18 • Oracle PartnerNetwork Application Specific Full Use Program Distribution Agreement,
19 effective November 29, 2011;
- 20 • Oracle PartnerNetwork ISV Master Distribution Agreement between NEC Corporation
21 of America and Oracle America, Inc., effective December 11, 2013 (“2013 MDA”);
- 22 • Application Specific Full Use Program Distribution Addendum to the Oracle
23 PartnerNetwork ISV Master Distribution Agreement between NEC Corporation of
24 America and Oracle, America, Inc., effective December 11, 2013 (collectively, the
25 “2013 ASFU Addendum”);
- 26 • Full Use Distribution Addendum to the Oracle PartnerNetwork ISV Master Distribution
27 Agreement between NEC Corporation of America and Oracle America, Inc. [the 2013
28 MDA], effective September 22, 2016 (collectively, the “2016 Full Use Addendum”);

- 1 • Embedded Software License Distribution Addendum to the Oracle PartnerNetwork ISV
2 Master Distribution Agreement between NEC Corporation of America and Oracle
3 America, Inc. [the 2013 MDA], effective March 8, 2017 (collectively, the “2017 ESL
4 Addendum”);
- 5 • Oracle PartnerNetwork Master Distribution Agreement between NEC Corporation of
6 America and Oracle America, Inc., effective December 6, 2018 (“2018 MDA”);
- 7 • Amendment One to the Oracle PartnerNetwork Master Distribution Agreement between
8 NEC Corporation of America and Oracle America, Inc. [the 2018 MDA], effective
9 December 19, 2018;
- 10 • Full Use License Distribution Addendum to the Oracle PartnerNetwork ISV Master
11 Distribution Agreement between NEC Corporation of America and Oracle America, Inc.
12 [the 2018 MDA], effective December 19, 2018 (collectively, the “2018 Full Use
13 Addendum”).
- 14 • Application Specific Full Use Program Use Program Distribution Addendum to the
15 Oracle PartnerNetwork ISV Master Distribution Agreement between NEC Corporation
16 of America and Oracle America, Inc. [the 2018 MDA], effective December 19, 2018
17 (collectively, the “2018 AFSU Addendum”).
- 18 • Embedded Software License Distribution Addendum to the Oracle PartnerNetwork ISV
19 Master Distribution Agreement between NEC Corporation of America and Oracle
20 America, Inc. [the 2018 MDA] effective December 19, 2018 (collectively, the “2018
21 ESL Addendum”).

22 **ANSWER:** NECAM admits that it entered into the listed agreements with Oracle. NECAM
23 lacks knowledge or information sufficient to form a belief as to the truth of the remaining
24 allegations in this paragraph and therefore denies the same.

25 18. As a long-time OPN member and Oracle licensee, NECAM was (and is) intimately
26 familiar with the Oracle PartnerNetwork and the different distribution methods Oracle offers to its
27 OPN members – ESL, ASFU, and Full Use. In the past fifteen years, NECAM has distributed
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1 licenses to Oracle software using all three distribution methods – ESL, ASFU, and Full Use – under
2 the agreements set forth above.

3 **ANSWER:** NECAM admits that it has distributed Oracle software licenses under some or
4 all of the agreements set forth in paragraph 17. NECAM denies Oracle’s allegations about
5 NECAM’s familiarity with Oracle’s PartnerNetwork and distribution models. NECAM
6 lacks knowledge or information sufficient to form a belief as to the truth of the remaining
7 allegations in this paragraph and therefore denies the same.

8 19. As an OPN member, and under the agreements set forth above, NECAM has
9 distributed the Oracle Database and the Database Options and Packs with software solutions that it
10 has developed and marketed, including a value-added application called “Integra-ID 5” – an
11 application NECAM has marketed as biometrics identification system used by law enforcement
12 agencies. On information and belief, NECAM has previously marketed this value-added application
13 (or its predecessors) under the name “Integra-ID” and as “Automated Biometrics Identification
14 System.”

15 **ANSWER:** Admitted.

16 20. Between 2004 and 2017, NECAM distributed Integra-ID 5, or its predecessor
17 application, with the Oracle Database and the Database Options and Packs to end users with *ASFU*
18 licenses from Oracle. NECAM did so under ASFU Addenda to the parties’ then applicable-MDA,
19 including an ASFU Addendum to the 2013 MDA and a similar ASFU Addendum to the 2018
20 MDA. Under these ASFU Addenda, Oracle provided NECAM with the right to distribute to end-
21 users its Integra-ID 5 application with a license to the Oracle Database and the Database Options
22 and Packs, and NECAM agreed to pay license fees (and support fees) to Oracle based on the
23 number of Integra-ID 5 application packages NECAM distributed with an AFSU license.

24 [Associated Oracle footnote:] In addition to executing the ADFU Addendum, as a prerequisite
25 before Oracle would allow NECAM to distribute Oracle software with its Integra-ID 5 application,
26 NECAM submitted for Oracle’s approval an ASFU Application Package Registration Form for its
27 Integra-ID 5 application (“ASFU APRF”). The ASFU APRF contained a high-level summary of
28

1 certain functionality of the Integra ID-5 application and its use of the Oracle Database and the
2 Database Options.

3 **ANSWER:** NECAM admits that, between 2004 and 2017, NECAM distributed Integra-ID
4 5, or its predecessor applications, with the Oracle Database and one or more of the Database
5 Options and Packs to end users with licenses from Oracle. NECAM admits that it did so
6 under the parties' then applicable-MDA. NECAM admits that, during this time, NECAM
7 had the right to distribute to end-users its Integra-ID 5 application with a license to the
8 Oracle Database and the Database Options and Packs. NECAM admits that it has previously
9 submitted for Oracle's approval an ASFU Application Package Registration Form for its
10 Integra-ID 5 application ("ASFU APRF") and that the ASFU APRF contained a summary of
11 certain functionality of the Integra ID-5 application and its use of the Oracle Database and
12 any applicable Database Options and Packs. NECAM lacks knowledge or information
13 sufficient to form a belief as to the truth of the remaining allegations in this paragraph and
14 therefore denies the same.

15 21. In 2017 – while retaining its right to distribute Integra-ID 5 with the Oracle Database
16 and the Database Options and Packs through *ASFU* licenses from Oracle – NECAM sought and
17 obtained from Oracle the right to distribute Integra-ID 5 embedded with the Oracle Database and
18 the Database Options and Packs through more restrictive *ESL licenses*. As noted, the ESL license
19 distribution method is a less expensive, but more restrictive, option for NECAM to distribute its
20 value-added application embedded with Oracle software. In an ESL Addendum to the 2013 MDA,
21 Oracle provided NECAM with the right to distribute to end users the Oracle Database and the
22 Database Options and Packs, and ESL licenses for it, embedded into Integra-ID 5, and NECAM
23 agreed to pay license fees (and support fees) to Oracle (fees much lower than ASFU license and
24 support fees) based on the number of Integra-ID 5 application packages NECAM distributed under
25 the ESL addendum. The parties renewed this right in early 2019 through an ESL Addendum to the
26 2018 MDA. [Associated Oracle footnote:] In addition to executing the ESL distribution addendum,
27 and as a prerequisite before Oracle would allow NECAM to distribute its Integra-ID 5 application
28 with Oracle software, NECAM submitted for Oracle's approval an ESL Application Package

1 Registration Form for its Integra ID-5 application (“APRF”). The ESL APRF contained a high-level
2 summary of certain functionality of the Integra ID-5 application and its use of the Oracle Database
3 and the Database Options and Packs. *See* 2017 ESL APRF; *see also* 2019 ESL APRF, submitted
4 and approved when the parties renewed the ESL license in early 2019.

5 **ANSWER:** NECAM admits that in 2017 it obtained the right to distribute Integra-ID 5
6 embedded with the Oracle Database and the Database Options and Packs through ESL
7 licenses. NECAM admits that the ESL license distribution method is more restrictive than
8 every other license method offered by Oracle. NECAM admits that it submitted an ESL
9 Application Package Registration Form (“APRF”) at Oracle’s request in which NECAM
10 described certain functionality of the Integra-ID 5 application and its use of the Oracle
11 Database and the Database Options and Packs. However, NECAM denies that it sought the
12 ESL license method from Oracle. Oracle selected and recommended the ESL license model,
13 asked NECAM to fill out and submit the ESL APRF, and pushed NECAM to accept the
14 ESL license model even though NECAM informed Oracle in the APRF exactly how it
15 planned to use and distribute the Oracle Database and Database Options and Packs. Oracle
16 even directed NECAM to alter its responses to the APRF in order to qualify for the ESL
17 license method. NECAM denies the remaining allegations of this paragraph and associated
18 footnote.

19 22. The ESL Addenda under which NECAM obtained the right to distribute ESL
20 licenses for the Oracle Database and the Database Options and Packs embedded within its Integra-
21 ID 5 application expressly (and narrowly) define “embedded” to include certain specified
22 requirements, including the following:

- 23 • “The end user [*i.e.*, NECAM’s software customers] must not be permitted to install or
24 configure the programs separately and independently from the application package;”
- 25 • “The application program must be designed and developed by you to eliminate program
26 administration tasks by the end user by including all program administration functions
27 within the application program. You may not customize the application package for a
28 single end user or a group of end users. All administration scripts including startup,

1 shutdown, and backup are to be provided by you within the application program. The
2 end user must not be permitted to access the programs directly but rather only through
3 the application program;”

- 4 • “All information from the programs must be accessed by the end user either through
5 prepackaged reports, or ad hoc reports that are developed by you, and included in the
6 application package which do not require or permit the end user to navigate the
7 underlying data schema. If you include Oracle or third party reporting tools in the
8 application package, such tools must be embedded in the application package pursuant to
9 the terms of this agreement;”
- 10 • “If the application package must interface with another application or database, the end
11 user is not permitted to directly access the database or use Oracle-supplied APIs to
12 establish the transfer of data. To transfer data, you must set up predefined APIs unique to
13 the application package and management of the data transfer must be done through the
14 application program;”
- 15 • “Only you can access the programs directly for purposes of technical assistance to your
16 end user and such access is limited to providing technical assistance, including
17 troubleshooting, problem resolution, and support assistance. You shall not provide
18 remote or onsite program administration tasks on behalf of the end user that are
19 otherwise prohibited under the terms of this agreement.”

20 *See* 2017 ESL Addendum and 2018 ESL Addendum.

21 **ANSWER:** NECAM admits that the blocks of text recited in this paragraph appear in one or
22 the other of the 2017 ESL Addendum or the 2018 ESL Addendum. NECAM denies Oracle’s
23 characterization of these blocks of text. NECAM denies any remaining allegations of this
24 paragraph.

25 23. In the OPN Agreement and the MDA, NECAM expressly agreed Oracle may audit
26 NECAM’s use and distribution of Oracle’s software. NECAM further agreed to “pay within 30 days
27 of written notification any fees applicable to [NECAM’s] distribution of the programs, hardware,
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1 learning credits and/or services in excess of [NECAM's] rights and any underpaid fees." The OPN
2 Agreement states:

3 "Upon 45 days written notice, Oracle may audit your use of the Oracle property. Any such
4 audit shall not unreasonably interfere with your normal business operations. You agree to
5 cooperate with Oracle's audit and provide reasonable assistance and access to information
6 including but not limited to relevant books, records, agreements, servers, technical
7 personnel, and order reporting systems. You agree to pay within 30 days of written
8 notification any fees applicable to your use of the Oracle property in excess of your license
9 rights. If you do not pay, Oracle can end your technical support, licenses, your OPN
10 membership and this agreement, and/or may choose not to accept your application to renew
11 this agreement at such time of renewal. You agree that Oracle shall not be responsible for
12 any of your costs incurred in cooperating with the audit."

13 *See* 2020 OPN Agreement § W(5) (emphasis added). The MDA states:

14 "You agree that you will keep accurate books and records in connection with the activities
15 under this agreement and any applicable distribution addenda. Upon 45 days written notice,
16 Oracle may audit your distribution of the programs, hardware, learning credits and services
17 and any other activities under this agreement and any applicable distribution addenda. Any
18 such audit shall not unreasonably interfere with your normal business operations. You agree
19 to cooperate with Oracle's audit and provide reasonable assistance and access to information
20 including but not limited to relevant books, records, agreements, servers, technical
21 personnel, and other reporting systems. Upon Oracle's request, you will also provide to
22 Oracle a system generated list of the Oracle program licenses, hardware, learning credits
23 and/or services distributed to end users under this agreement during the time period
24 specified by Oracle and any supporting documentation requested by Oracle pursuant to the
25 terms of Section D (Order Terms) for the purposes of validating the completeness and
26 accuracy of your obligations under this agreement and any applicable distribution addenda.
27 You agree to pay within 30 days of written notification any fees applicable to your
28 distribution of the programs, hardware, learning credits and/or services in excess of your

1 rights and any underpaid fees. If you do not pay, Oracle can end your technical support,
2 licenses, services, the validity of any learning credits, and this agreement and/or may choose
3 not to accept your application to renew this agreement at such time of renewal. Upon
4 Oracle’s request, you agree to audit end user(s) and report the findings to Oracle, or assign
5 your right to audit end user(s) to Oracle. You agree that Oracle shall not be responsible for
6 any of your costs incurred in cooperating with this audit.”

7 *See* 2018 MDA § Q(5) (emphasis added).

8 **ANSWER:** NECAM admits that the text quoted in this paragraph appears absent added
9 emphasis in the cited documents. NECAM denies Oracle’s characterization of the quoted
10 text. NECAM denies any remaining allegations in this paragraph.

11 24. In December 2019, Oracle exercised its contractual right to audit NECAM’s use and
12 distribution of Oracle software, including, but not limited to, its distributions of Oracle software
13 with or embedded within its own applications, such as Integra-ID 5, and Oracle found numerous
14 compliance issues related to these distributions. Based on information that NECAM itself provided
15 as part of the audit, among other issues, Oracle found the following:

- 16 (i) NECAM had distributed the Oracle Database and the Database Options and Packs
17 with its Integra-ID 5 application to certain end users in excess of its distribution
18 rights under the ESL Addenda; NECAM had improperly reported those distributions
19 to Oracle as having been made pursuant to NECAM’s *ESL* Addenda; and NECAM
20 had improperly paid Oracle license fees on those distributions at the *ESL* rate –
21 rather than at the higher *ASFU* license fee rate. NECAM had distributed the Oracle
22 Database *with* Integra-ID 5 but not “embedded” with it, as required to be covered by
23 *ESL* Addenda. In particular, Oracle found that NECAM customized its Integra-ID 5
24 application for specific end users, certain end users were permitted to create custom
25 reports within the application and had customer API’s to establish transfer of data,
26 and NECAM performed program administrations tasks, on the end user’s behalf, in
27 excess of the rights granted pursuant to the *ESL* Addenda. These distributions are not
28 permitted by NECAM’s *ESL* Addendum; instead, they are permitted by NECAM’s

1 ASFU Addenda, and NECAM is obligated under the applicable ASFU Addendum to
2 pay Oracle ASFU license fees (and support fees) for them, which NECAM has not
3 done.

4 (ii) NECAM had distributed the Oracle Database (and other Oracle software) in excess
5 of its distribution rights under its ASFU Addenda as well, by distributing it to an end
6 user (the Ohio State Police) for use with a custom application (called “Openfox
7 CCH”) for that user that was being developed by an entity other than NECAM;
8 NECAM had improperly reported those distributions to Oracle as having been made
9 pursuant to NECAM’s *ASFU* Addendum; and NECAM had improperly paid Oracle
10 license fees on those distributions at the *AFSU* rate, - rather than at the higher *Full*
11 *Use* license fee rate. These distributions are not permitted by the ASFU Addendum,
12 since the ASFU Addendum does not authorize distributions of Oracle software for
13 use with applications developed by an entity other than NECAM. These distributions
14 instead are permitted by NECAM’s Full Use Addendum, and NECAM is obligated
15 under the applicable Full Use Addendum to pay Oracle Full Use license fees (and
16 support fees) for them, which NECAM has not done.

17 (iii) NECAM had previously failed to report certain distributions of the Oracle Database
18 with its Integra-ID 5 application to end users as required by the applicable ASFU
19 Addendum, or NECAM had not reported the correct quantity of licenses for those
20 users.

21 (iv) NECAM had on-premise development environments using the Oracle Database and
22 the Database Options and Packs in excess of the rights granted to NECAM under its
23 OPN Agreement and other agreements with Oracle. On information and belief,
24 NECAM’s on-premise development environment contained separate environments
25 using the Oracle Database and the Database Options and Packs for each of its end
26 users, which would allow it to develop and administer updates and fixes, among
27 other things, for each specific end user. This use of the Oracle Database and the
28 Database Options and Packs is not licensed under any existing agreement.

1 Given the magnitude of the issues that Oracle has identified above and as several of the issues relate
2 to unreported royalties and NECAM's failure to provide information related to its on-premise
3 development environments, Oracle does not know whether this is the full scope of NECAM's
4 improper conduct pertaining to the OPN Agreement and MDA, or to the parties' other agreements
5 and addenda.

6 **ANSWER:** NECAM admits that Oracle audited NECAM's use and distribution of Oracle
7 software in or around December 2019. NECAM denies the existence of "compliance
8 issues." NECAM denies all of Oracle's audit findings. NECAM denies all remaining
9 allegations of this paragraph.

10 **C. Oracle's Attempts to Settle the Licensing Dispute with NECAM**

11 25. In October 2020, Oracle sent an Audit Report to NECAM, summarizing Oracle's
12 audit findings, subject to the accuracy and completeness of the information provided by NECAM,
13 and asking NECAM to resolve the compliance findings within 30 days as required by the parties'
14 agreements. In the Audit Report, Oracle advised that NECAM needed to procure (pay for)
15 additional ASFU and Full Use licenses for its prior distributions, and Oracle further advised that
16 NECAM had previously failed to report (or had under-reported) certain distributions, as discussed
17 above. In addition, Oracle asked NECAM to provide Oracle with additional information regarding
18 its on-premise development environment to enable Oracle to determine the extent to which they
19 exceeded NECAM's rights.

20 **ANSWER:** NECAM admits that Oracle sent an Audit Report to NECAM in October 2020.
21 The findings of Oracles 2020 Audit report are baseless and contradict the terms of
22 NECAM's agreements with Oracle. NECAM therefore denies the findings of Oracle's 2020
23 Audit Report. NECAM denies that the parties' agreements require NECAM to "resolve"
24 such compliance findings. NECAM denies that it needs to procure additional ASFU and Full
25 Use licenses for prior distributions and that it had failed to report or under-reported
26 distributions. NECAM admits that Oracle demanded additional and unwarranted license fees
27 from NECAM based on its baseless audit compliance findings. NECAM admits that Oracle
28 sought additional information that NECAM was not obligated to provide to generate more

1 baseless audit compliance findings that contradict the terms of NECAM's agreements with
2 Oracle so that Oracle could demand additional and unwarranted license fees. NECAM
3 denies any remaining allegations of this paragraph.

4 26. NECAM did not resolve Oracle's audit compliance findings within 30 days – nor did
5 it do so in the many months that have followed.

6 **ANSWER:** All allegations of this paragraph are denied. NECAM specifically denies any
7 obligation to “resolve” the baseless audit compliance findings of Oracle's 2020 Audit
8 Report.

9 27. Oracle has repeatedly asked NECAM to resolve the audit compliance findings, but
10 NECAM has not done so. To date, NECAM has not paid the full license and support fees NECAM
11 owes for its distributions of Oracle software described in paragraphs 24(i) and (ii) above. NECAM
12 has not paid Oracle for the distributions it previously failed to report or under-reported. And
13 NECAM has not provided Oracle with the additional information Oracle requested regarding
14 NECAM's on-premise development environments, which is part of Oracle's audit process.

15 **ANSWER:** NECAM admits that Oracle has demanded license and support fees to which it
16 is not entitled. NECAM denies that any additional fees or royalties are owed. NECAM
17 denies that it has failed to report or under-reported any distributions as required by its
18 agreements with Oracle. NECAM denies the findings of Oracle's 2020 Audit Report. The
19 findings of Oracle's 2020 Audit Report are baseless and contradict the terms of NECAM's
20 agreements with Oracle. NECAM denies that it has any obligation to “resolve” such
21 findings. NECAM denies that Oracle is entitled to additional information regarding
22 NECAM's on-premise development environments. NECAM denies the remaining
23 allegations in this paragraph.

24 28. On January 19, 2021, Oracle sent a letter to NECAM notifying NECAM that due to
25 NEC's continued failure to resolve the audit findings, Oracle considers NECAM to be in material
26 breach of its agreements with Oracle. But after receiving Oracle's letter, NECAM still did not
27 resolve the audit findings.

28

1 32. Oracle and NECAM entered into contracts with Oracle, including the OPN
2 Agreement, the 2013 MDA, the 2018 MDA, and the related Full Use, ASFU, and ESL Addenda.

3 **ANSWER:** Admitted.

4 33. Oracle did all, or substantially all, of the significant things that the contracts required
5 it to do.

6 **ANSWER:** Denied.

7 34. NECAM breached its contracts with Oracle by its acts and omissions, including failing
8 to pay license and support fees owed to Oracle under the contracts and failing to provide information
9 to Oracle as required by the contracts' audit provisions. For example, NECAM breached the 2013
10 MDA, the 2013 ASFU Addendum, the 2018 MDA, and the ASFU Addenda by failing to report and
11 pay license fees (and support fees) owed under the ASFU Addenda for distributions of its Integra-ID
12 5 application with the Oracle Database and the Database Options and Packs that were not permitted
13 by NECAM's ESL Addenda. As another example, NECAM breached the 2013 MDA and the 2016
14 Full Use Addendum by failing to report and pay license fees (and support fees) owed under the Full
15 Use Distribution Addendum for distributions of the Oracle Database (and other Oracle software) to
16 the Ohio State Police that were not permitted by NECAM's ASFU addendum. And, as another
17 example, NECAM breached its duty under the OPN Agreement and the 2018 MDA to cooperate with
18 Oracle's audit and provide reasonable assistance and access to information, by failing to provide
19 Oracle with additional information regarding its on-premise development environments to enable
20 Oracle to determine the extent to which they exceeded NECAM's rights, as Oracle repeatedly
21 requested.

22 **ANSWER:** Denied.

23 35. As a result of NECAM's breaches of contract, Oracle has been damaged in an amount
24 exceeding \$7,000,000.

25 **ANSWER:** Denied.

26 36. NECAM's breaches of contract were a substantial factor in causing Oracle's harm.

27 **ANSWER:** Denied.

SECOND CAUSE OF ACTION**Copyright Infringement Under 17 U.S.C. §§ 101 *et seq.* and 17 U.S.C. §§ 501 *et seq.***

37. Oracle incorporates by reference each of the preceding paragraphs 1 through 36 as if fully set forth herein.

ANSWER: NECAM repeats and re-alleges its responses to the foregoing paragraphs as if fully set forth herein.

38. Oracle owns valid and enforceable copyrights in all its software products, including the Oracle Database and the Database Options and Packs, which are creative works of original authorship and copyrightable subject matter. Oracle has owned these copyrights throughout the time of NECAM's infringement.

ANSWER: NECAM lacks knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph and therefore denies the same.

39. In compliance with the Copyright Regulations, Oracle has registered or filed with the Copyright Office copyright applications, registration fees, and deposits of the Oracle Database and the Database Options and Packs. Oracle is the owner or exclusive licensee of all right, title, and interest to the registrations and copyright applications for the Oracle Database and the Database Options and Packs, as described below:

Title of Work	Registration Number	Date Issued
Oracle9I Database Enterprise Edition Release 1	TX 5-673-281	June 13, 2003
Oracle9I Database Enterprise Edition Release 2	TX 5-673-282	June 13, 2003
Oracle Database 10g Release 1	TX 6-938-648	January 16, 2009
Oracle Database 10g Release 2	TX 6-942-003	June 29, 2009
Oracle Database 11g Release 1	TX 7-324-157	March 24, 2011
Oracle Database 11g Release 2	TX 7-324-158	March 24, 2011
Oracle Database 12c Release 1 (12.1)	TX 8-188-258	May 9, 2016
Oracle Database 18c (18.3)	TX 8-843-054	February 26, 2020
Oracle Database 19c (19.3)	TX 8-843-065	February 26, 2020

1	Oracle Tuning Pack 10g, Release 2 (10.2)	TX 7-912-167	September 25, 2014
2	Oracle Tuning Pack 10g, Release 1 (10.1)	TX 7-912-168	September 25, 2014
3	Oracle Tuning Pack 11g, Release 1 (11.1)	TX 7-913-004	September 25, 2014
4	Oracle Tuning Pack 11g, Release 2 (11.2)	TX 7-913-797	September 25, 2014
5	Oracle Tuning Pack 12c, Release 1 (12.1)	TX 8-429-411	November 6, 2017
6	Oracle Tuning Pack 19c	TX 8-840-649	February 21, 2020
7	Oracle Diagnostics Pack 10g, Release 1 (10.1)	TX 7-912-165	September 25, 2014
8	Oracle Diagnostics Pack 10g, Release 2 (10.2)	TX 7-912-163	September 25, 2014
9	Oracle Diagnostics Pack 11g, Release 1 (11.1)	TX 7-912-164	September 25, 2014
10	Oracle Diagnostics Pack 11g, Release 2 (11.2)	TX 7-912-166	September 25, 2014
11	Oracle Diagnostics Pack 12c, Release 1 (12.1)	TX 8-429-412	November 6, 2017
12	Oracle Diagnostics Pack 19c	TX 8-844-190	February 21, 2020
13	Oracle Partitioning Option for Oracle9i Database, Release 1 (Oracle Partitioning 9.0.1.5.0)	TX 6-493-483	January 29, 2007
14	Oracle Partitioning Option for Oracle9i Database, Release 2 (Oracle Partitioning 9.2.0.6.0)	TX 6-498-917	January 29, 2007
15	Oracle Partitioning Option to Oracle Database 10g, Release 1 (10.1)	TX 8-377-113	March 7, 2017
16	Oracle Partitioning Option to Oracle Database 10g, Release 2 (10.2)	TX 8-377-114	March 7, 2017
17	Oracle Partitioning Option to Oracle Database 11g, Release 1 (11.1)	TX 8-377-112	March 7, 2017
18	Oracle Partitioning Option to Oracle Database 11g, Release 2 (11.2)	TX 8-377-111	March 7, 2017
19	Oracle Partitioning Option to Oracle Database 12c, Release 1 (12.1)	TX 8-377-106	March 7, 2017
20	Oracle Real Application Clusters (RAC) Option to Oracle Database 9i Release 1 (9.0)	TX 8-188-288	May 9, 2016
21	Oracle Real Application Clusters (RAC) Option to Oracle Database 9i Release 2 (9.2)	TX 8-188-285	May 9, 2016
22	Oracle Real Application Clusters (RAC) Option to Oracle Database 10g Release 1 (10.1)	TX 8-188-280	May 9, 2016
23	Oracle Real Application Clusters (RAC) Option to Oracle Database 10g Release 2 (10.2)	TX 8-188-293	May 9, 2016
24	Oracle Real Application Clusters (RAC) Option to Oracle Database 11g Release 1 (11.1)	TX 8-188-277	May 9, 2016
25	Oracle Real Application Clusters (RAC) Option to Oracle Database 11g Release 2 (11.2)	TX 8-188-283	May 9, 2016
26	Oracle Real Application Clusters (RAC) Option to Oracle Database 12c Release 1 (12.1)	TX 8-188-275	May 9, 2016
27	Oracle Real Application Clusters 19c (19.3)	TX 8-843-144	February 26, 2020
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1 **ANSWER:** NECAM lacks knowledge or information sufficient to form a belief as to the truth
2 of the allegations in this paragraph and therefore denies the same

3 40. As the owner or exclusive licensee of the copyrights in the Oracle Database and the
4 Database Options and Packs, Oracle enjoys the exclusive right to, among other things, reproduce,
5 make derivative works of, display, and distribute the Oracle Database and the Database Options and
6 Packs. 17 U.S.C. §§ 101, 106.

7 **ANSWER:** NECAM lacks knowledge or information sufficient to form a belief as to the truth
8 of the allegations in this paragraph and therefore denies the same.

9 41. NECAM is not authorized to reproduce, distribute, make derivative works from,
10 and/or display the Oracle Database or the Database Options and Packs, except as authorized by the
11 OPN Agreement and its existing distribution agreements described above.

12 **ANSWER:** Denied.

13 42. Through the acts described above, NECAM has violated Oracle’s exclusive rights to
14 reproduce, distribute, make derivative works from, and/or display the Oracle Database software and
15 the Database Options and Packs software. On information and belief, NECAM has reproduced,
16 distributed, made derivative works from, and/or displayed the Oracle Database and the Database
17 Options and Packs software in its on-premise environments outside the scope any existing license.

18 **ANSWER:** Denied.

19 43. As a long-time member of the Oracle Partner Network and Oracle software licensee,
20 NECAM has been, or should have been, aware of the existence of Oracle’s copyrights in the Oracle
21 Database and the Database Options and Packs. On information and belief, NECAM also knew it did
22 not have the appropriate license or authorization to distribute and use the Oracle Database or the
23 Database Options beyond the uses for which it had a license. When Oracle brought the unauthorized
24 use to NECAM’s attention, NECAM declined to procure the necessary licenses and continued to
25 infringe Oracle’s rights in its copyrighted software. NECAM is therefore a willful infringer of
26 Oracle’s copyrights and exclusive rights and subject to treble damages.

27 **ANSWER:** Denied.
28

1 44. Oracle has been damaged as a result of NECAM's copyright infringement, based on
2 at least NECAM's failure to pay license, maintenance, and support fees related to its use of the Oracle
3 Database and the Database Options and Packs beyond that for which NECAM has a license. Further,
4 on information and belief, NECAM has generated profits through its unauthorized use of the Oracle
5 Database. Oracle is entitled to recover from NECAM the profits NECAM generated through its
6 infringement of Oracle's copyrights in the Oracle Database and the Database Options. Finally, Oracle
7 may elect to recover statutory damages.

8 **ANSWER:** Denied.

9 **ORACLE'S PRAYER FOR RELIEF**

10 NECAM denies all allegations that Oracle International and Oracle America are entitled to
11 any of the relief requested against NECAM in its Prayer for Relief, or any other relief whatsoever.
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1 **AFFIRMATIVE DEFENSES**

2 1. NEC Corporation of America (“NECAM”) realleges and incorporates herein by
3 reference the foregoing answers to paragraphs 1-44, inclusive, of Oracle’s Complaint for Copyright
4 Infringement and Breach of Contract as though set forth in full in these Affirmative Defenses.

5 **BACKGROUND**

6 2. NECAM is the principal U.S. subsidiary of NEC Corporation (“NEC”), a
7 multinational information technology and electronics corporation and a leader in the field of
8 information and communications technology. The solutions developed by NEC Corporation have
9 received numerous awards, and it previously received the Platinum Award for Best Biometric
10 Recognition System in the ASTORS Homeland Security Awards Program. NEC is the provider of
11 more than 1,000 public safety systems globally.

12 3. One of the NEC solutions offered by NECAM in the United States is Integra-ID,
13 NEC’s flagship multimodal biometrics identification system that incorporates NEC’s latest biometric
14 matching algorithms with service-oriented architecture to deliver a comprehensive commercial off-
15 the-shelf solution that provides ready access to varied modalities in identification management,
16 including fingerprint, palmprint, face, voice and iris matching capabilities. Various law enforcement
17 agencies across the United States relies on NECAM’s Integra-ID solution to help maintain public
18 order and safety.

19 4. NEC’s proprietary Integra-ID solution is capable of working with any database,
20 including Oracle’s database management software.

21 5. Oracle offers three types of software license with varying levels of restriction.

22 6. Oracle’s Full Use license is the least restrictive license type. According to Oracle’s
23 own marketing materials, the Full Use license comes “without restrictions and allows usage that is
24 full functionality.”

25 7. Oracle’s Application Specific Full Use (“ASFU”) license is more restrictive.
26 According to Oracle’s own marketing materials, the ASFU license “is specific to run only with the
27 defined application and may come with additional restrictions.”
28

1 8. Oracle’s most restrictive license type is the Embedded license. According to Oracle’s
2 own marketing materials, the Embedded License “is limited to embed Oracle technology with defined
3 application and has further restrictions on install, package, configure and access.”

4 9. The license fees charged by Oracle vary according to the type of license. In general,
5 the fees charged by Oracle are lower for a more restrictive license and higher for a less restrictive
6 license. The most expensive license carrying the highest fees is the Full Use license with no
7 restrictions. The least expensive license carrying the lowest fees is the Embedded license with the
8 most restrictions. On information and belief, Oracle sets exorbitant list prices for licensing its software
9 with no expectations that any of its partners or customers would pay the list fees. Instead, Oracle
10 heavily discounts its list license fees, where the volume of discount generally falls into the following
11 ranges: 65% to 82% (or greater) discount off list price for a Full Use license; 69% to 84% (or greater)
12 discount off list price for an ASFU license; and 90% (or greater) discount off list price for an
13 Embedded license. The Embedded license, again, is the license containing the most restrictions. These
14 discounting practices are especially harmful to NECAM within the context of Oracle’s predatory
15 business strategy and unfair trade practice known as “Audit, Bargain, Close,” or “ABC,” described
16 in detail below, given the financial leverage created among five of NECAM’s sublicensee customers
17 deployed with greater than one million dollars (\$1,000,000) of list license volume of Oracle
18 Enterprise Database software. On information and belief, Oracle uses its exorbitant list price and
19 discounting practices to unfairly influence negotiated outcomes, disrupt its customers’ and partners’
20 business strategies, and inflate commercial outcomes.

21 10. Before settling on pairing its Integra-ID solution with Oracle’s database management
22 software, NECAM discussed with Oracle the appropriate license model for NECAM’s distribution of
23 Oracle’s software. As a part of those discussions, NECAM completed and submitted to Oracle
24 multiple registration forms.

25 11. In these registration forms, NECAM disclosed to Oracle “We can provide customized
26 reports ...” and “The application ... uses the Tuning Pack to identify and resolve performance
27 problems ...” After receiving these disclosures, Oracle directed NECAM to reinterpret question G10
28 as asking whether NECAM customized installations, which NECAM does not. Oracle then informed

1 NECAM that it should distribute Oracle’s database management software using the Embedded
2 license. In addition, the terms of the Embedded license prohibited NECAM from distributing Oracle
3 software under any other agreement: “You may not distribute the programs ... in any manner except
4 as provided under this agreement and any distribution addenda to this agreement” (see, e.g., Section
5 C of December 11, 2013 Oracle Partner Network ISV Master Distribution Agreement (“MDA”)).

6 12. Oracle’s allegations against NECAM pertain to NECAM’s license and use of Oracle
7 database management software since 2017. The bulk of these allegations pertain to NECAM
8 providing “customized reports.” Reduced to its core, Oracle’s claim is that NECAM should have
9 distributed Oracle software under the less restrictive ASFU license, instead of the more restrictive
10 Embedded license. However, it is the Embedded license type that Oracle recommended when the
11 parties first engaged in their business discussions around NECAM’s plans for its Integra ID solution,
12 and when Oracle was pitching for NECAM’s business. In short, Oracle is alleging non-compliance
13 based on the types of activities that NECAM told Oracle it intended to engage in before the parties
14 entered into the Embedded license.

15 13. In a letter dated April 1, 2021, Oracle acknowledged that it “does not dispute that
16 NECAM disclosed that its application package would include customized reports” and that it “does
17 not dispute that NECAM disclosed that its application, among other things, would use Oracle Tuning
18 Pack to identify and resolve performance problems.” In that same letter, Oracle admits that the
19 Embedded license “allows for a partner to distribute an application that includes prepackaged, as well
20 as ad hoc, reports.” Nevertheless, Oracle then argues that ad hoc customization of reports by NECAM
21 and NECAM customers triggers a violation of the Embedded license.

22 14. At the time it entered into the Embedded license NECAM was a platinum partner of
23 the Oracle Partner Network. As a platinum partner NECAM trusted and relied on Oracle’s
24 representations—including Oracle’s direction that NECAM distribute Integra-ID solution with
25 Oracle’s database management software using the Embedded license type. That trust and reliance led
26 NECAM to pair its Integra-ID solution with Oracle’s database management software, rather than the
27 database management software of a competing vendor.
28

1 15. Had Oracle not recommended that NECAM distribute its Integra-ID solution under an
2 Embedded Oracle license, NECAM would not have chosen this license type. In short, Oracle is
3 seeking to penalize NECAM and has terminated its licenses based on the very conduct that Oracle
4 knew of and specifically approved prior to the parties entering into the contract.

5 16. On information and belief, Oracle intentionally directed NECAM to license the
6 software under an Embedded license model because it intended all along to audit NECAM down the
7 road and claim huge licensing penalties. In fact, if Oracle is correct about the limits contained in the
8 Embedded license, then as a practical matter Oracle will be able to allege non-compliance against
9 virtually any licensee using an Embedded license. On information and belief, Oracle's audit arm,
10 Global License & Advisory Services ("GLAS"), acts at the direction of Oracle Sales, and generates
11 significant revenues for Oracle through its claims that a licensee is not complying with the terms of
12 the Embedded license. On information and belief, such audit claims form a material part of the
13 revenues that Oracle generates from its audit arm and Oracle is incented to push licensees into the
14 more restrictive license in order to claim large audit penalties in subsequent audits.

15 17. On information and belief, to incentivize companies to adopt the Embedded license,
16 Oracle not only provides the most significant discount to this license category, but it also gives its
17 sales teams a financial incentive to push the Embedded license to Oracle customers.

18 18. On information and belief, for years Oracle has incentivized its salespeople to sell and
19 sign clients to the most restrictive type of license, the Embedded license, while disincentivizing its
20 salespeople from selling and signing clients to the less restrictive ASFU license. On information and
21 belief, Oracle incentivized the sale of the Embedded license by offering its salespeople a commission
22 on license fees generated anywhere in the world under the Embedded license. By contrast and on
23 further information and belief, Oracle disincentivized the sale of other licenses by restricting
24 commissions on ASFU and Full Use licenses to license fees generated only within a salesperson's
25 assigned territory.

26 19. On information and belief, because territorial restrictions on commissions did not
27 apply to the sale of Embedded licenses, it was far more lucrative for an Oracle salesperson to sell and
28 sign a client to an Embedded license rather than an ASFU license. This compensation scheme

1 incentivized Oracle salespeople to push Oracle customers to purchase an Embedded license over other
2 license types in order to earn higher commissions. For clarity, higher commissions were the result of
3 revenue recognition accruing to the sales team local to NECAM for use of an Embedded license and
4 not distributed to the sales teams among end-user sublicensee customers as in the case of an ASFU
5 license. On information and belief, the Oracle sales team negotiating with NECAM intentionally and
6 fraudulently represented to NECAM that the Embedded license would be sufficient for NECAM's
7 proposed use in order to receive a higher commission on the license sale.

8 20. On information and belief, the long-standing territorial restrictions on commissions
9 motivating ESL were changed in an around 2020 to motivate Oracle salespeople to push ASFU
10 licenses. Salespeople once motivated to push Embedded licenses knowing that Embedded licenses
11 were not appropriate to begin with were then incentivized to sign current customers to new ASFU
12 licenses, knowing that quota retirement would now be accrued to the local sales team rather than the
13 sales teams associated with the end-user sublicensee customers. On information and belief, NECAM
14 expects Oracle to perpetrate this predatory and unfair business practice on other partners currently
15 distributing Oracle software under existing Embedded software licenses.

16 21. In addition, and on information and belief, Oracle intentionally created these
17 incentives to push clients toward the most restrictive Embedded license (even though an ASFU
18 license would theoretically generate higher revenues at the time of license execution) in order to
19 collect penalties for violations of the license restrictions and coerce additional purchases of services,
20 subscriptions, or licenses arising out of Oracle's predatory audits. On information and belief, Oracle
21 Sales intentionally pushed NECAM towards the most restrictive Embedded license with the
22 expectation that NECAM would violate the restrictions of the license, which would provide Oracle
23 with a basis to demand payments of list prices to resolve the audit, or face license termination. On
24 further information and belief, NECAM does not believe that it is the only customer that Oracle has
25 treated this way. On information and belief, Oracle routinely induces companies to adopt the
26 Embedded license with the expectation that it can subsequently allege non-compliance with the
27 restrictions during a future software audit to maximize its profits.

28

FIRST AFFIRMATIVE DEFENSE

Contractual Limitations on Recovery

22. NECAM realleges and incorporates herein by reference paragraphs 1-21, inclusive, under the heading of “Affirmative Defenses” and related subheadings as though set forth in full in this First Affirmative Defense.

23. Oracle is barred by the terms of its agreements with NEC from seeking relief and recovering damages for all or part of the claims asserted by Oracle in this action.

24. By way of example, Section Q4 of the Oracle Partner Network ISV Master Distribution Agreement dated December 11, 2013 (“MDA”) prohibits either party from bringing an action “arising or relating to this agreement . . . more than two years after the cause of action has accrued.” The only exceptions to this Oracle-mandated limitation period are “actions for nonpayment or breach of Oracle’s proprietary rights.” Neither of these exceptions apply as NECAM has paid for its distributions, and those distributions were made pursuant to the license rights conveyed by Oracle.

25. The two-year contractually-imposed limitations period is particularly important in the context of the MDA because Section Q5 of the MDA, which provides for Oracle’s audit rights, is not limited in time. Without the two-year contractually-imposed limitations period, Oracle’s audits would not have any meaningful or reasonable limits.

26. As another example, Section Q5 of the MDA sets forth the exclusive remedies that are available to Oracle in the event that Oracle terminates the MDA. That list (prepared by Oracle) does not include payment.

27. As a further example, the license addendum on which Oracle relies for its alleged non-compliance claims states, in the second sentence of Section 1(ii), “You *may* not customize the application package for a single end user or a group of end users.” (*See, e.g.*, Embedded Software License Distribution Addendum to the Oracle Partner Network ISV Master Distribution Agreement between NEC Corporation of America and Oracle America, Inc., attached as **Exhibit D** (“ESL Addendum”) (emphasis added).) In other portions of the ESL Addendum, including in Section 1(ii), Oracle used the term “must” when conveying a legal obligation: e.g., “The application program must be designed and developed by you to eliminate program administration tasks by the end user by

1 including all program administration functions within the application program.” *Id.* On information
2 and belief, Oracle intentionally used the word “may” rather than “must” because it was not conveying
3 a legal obligation. As Oracle admits in its letter of April 1, 2021, “Oracle does not disagree that ‘may’
4 and ‘shall’ have different legal definitions and that ‘may’ is permissive.” (*See Exhibit C.*)

5 28. Because of the two-year contractual limitations period Oracle is prohibited from
6 seeking recovery for acts that occurred more than two years before the filing date of Oracle’s
7 complaint; because Section Q5 of the MDA provides an exhaustive list of remedies in the event of
8 termination by Oracle, it can no longer seek monetary recovery from NECAM; and because Oracle
9 chose to use the word “may” rather than “must” in the ESL Addendum, it cannot now allege the
10 agreement prohibits customizing the application package for a single end user or a group of end users.

11 SECOND AFFIRMATIVE DEFENSE

12 **Breach of Implied Covenant of Good Faith and Fair Dealing**

13 29. NECAM realleges and incorporates herein by reference paragraphs 1-28, inclusive,
14 under the heading of “Affirmative Defenses” and related subheadings as though set forth in full in
15 this Second Affirmative Defense.

16 30. The conduct of Oracle described in the foregoing paragraphs demonstrates that
17 Oracle failed to act fairly and in good faith in negotiating a software license with NECAM and in its
18 conduct under the agreements with NECAM. Such conduct may be summarized, without limitation,
19 as follows.

20 31. On information and belief, Oracle offers its sales team monetary incentives and
21 pushes its customers to purchase the most restrictive type of license, the Embedded license, as part of
22 an unfair and predatory business strategy and pattern of unfair trade practices called “Audit,
23 Bargain, Close,” or “ABC.” On information and belief, as part of the ABC strategy, Oracle pushes
24 clients to purchase the Embedded license with the expectation that the client’s intended use of the
25 Oracle software would violate the restrictions of the Embedded license so that Oracle may later
26 audit the client’s operations and demand unreasonable and exorbitant penalties when the expected
27 violations are found by Oracle’s auditors.
28

1 32. On information and belief, Oracle pursued the ABC strategy against NECAM. On
2 information and belief, Oracle sold NECAM the most restrictive type of license, the Embedded
3 license, having the expectation that NECAM’s intended use would violate the restrictions of the
4 Embedded license. NECAM completed and submitted registration forms to Oracle that disclosed
5 NECAM’s intended use of the Oracle software. On information and belief, Oracle expected that
6 such use would violate the restrictions of the Embedded license. Oracle even directed NECAM to
7 reinterpret at least one key question on the registration form such that NECAM’s disclosure would
8 be revised so that NECAM could qualify for the Embedded license. Oracle then directed NECAM
9 to sublicense Oracle software using the Embedded license and waited years before auditing
10 NECAM’s operations. Once the audit was underway Oracle ignored its directions and
11 representations to NECAM, ignored terms such as the contractually-imposed 2-year limitations
12 period, unilaterally construed ambiguities in the Oracle agreements against NECAM, and asserted
13 claims against NECAM based on Oracle’s list price and demanded unreasonable and exorbitant
14 penalties from NECAM for the issues that NECAM disclosed to Oracle in advance of entering into
15 the license. When NECAM rightly pointed out Oracle’s predatory conduct, Oracle threatened to and
16 then did terminate NECAM’s license. On information and belief, Oracle routinely uses threats of
17 license termination and actual license terminations to force Oracle customers to capitulate to
18 Oracle’s inflated monetary demands arising out of its predatory audits.

19 33. The foregoing conduct, Oracle’s refusal to take responsibility for directing NECAM
20 to sublicense Oracle software using the Embedded license, Oracle’s decision to ignore unfavorable
21 contract terms, and its insistence on rewriting its own agreement (e.g., claiming that “may not”
22 means “must not”) are all examples of Oracle’s failure to act fairly and in good faith.

THIRD AFFIRMATIVE DEFENSE

Fraud in the Inducement / Fraud in the Execution

25 34. NECAM realleges and incorporates herein by reference paragraphs 1-33, inclusive,
26 under the heading of “Affirmative Defenses” and related subheadings as though set forth in full in
27 this Third Affirmative Defense.
28

1 35. The conduct of Oracle described in the foregoing paragraphs demonstrates that
2 Oracle procured through fraud NECAM's agreement to use and distribute Oracle's software with
3 NECAM's own Integra-ID software. Oracle's fraudulent conduct is already alleged with factual
4 particularity above, and those allegations are incorporated by reference as though set forth fully
5 herein. Such conduct may be summarized, without limitation, as follows.

6 36. Oracle misrepresented the compatibility of the Embedded license with NECAM's
7 intended use of the Oracle software. Oracle falsely represented that the Embedded license type
8 would authorize NECAM to use Oracle's software as NECAM intended. In order to apply for a
9 license to Oracle's software, NECAM was required to complete an Oracle registration form, and
10 Oracle selected and provided the Embedded Software License Application Package Registration
11 Form to NECAM. In the registration form, NECAM disclosed to Oracle its intended use of the
12 Oracle software. After receiving this disclosure, Oracle continued to push NECAM to purchase the
13 Embedded license rather than any less restrictive license Oracle offered. Oracle's salespeople even
14 advised NECAM to revise its registration form to qualify for the Embedded license. Oracle issued
15 the Embedded license to NECAM and directed NECAM to sublicense the Oracle software only
16 using the Embedded license structure. Oracle now characterizes NECAM's use of the Oracle
17 software – the exact same use previously disclosed to Oracle – as a violation of the restrictions of
18 the Embedded license.

19 37. On information and belief, Oracle knew that NECAM's intended use of the Oracle
20 software would violate the restrictions of Oracle's Embedded license. In response to question G10
21 on Oracle's Embedded Software License Application Package Registration Form, NECAM advised
22 Oracle that NECAM's software, in which the Oracle software would be embedded, "can provide
23 customized reports." Oracle then instructed NECAM to reinterpret the questions on the Embedded
24 license registration form as asking whether NECAM customized software installations. Because
25 NECAM does not customize software installations, its answer to question G10 changed to a "no."
26 On information and belief, that answer paved the way to Oracle issuing the Embedded license to
27 NECAM. After NECAM updated its responses to the registration form based on Oracle's guidance,
28 Oracle granted NECAM an Embedded license to use Oracle's software. On information and belief,

1 Oracle instructed NECAM to reinterpret the question because NECAM’s prior answer disclosed a
2 use that was incompatible with the Embedded license.

3 38. On information and belief, Oracle has implemented an audit strategy and unfair trade
4 practice known as “Audit, Bargain, Close,” or “ABC.” Oracle’s ABC audit scheme has been widely
5 reported in the business press and is the subject of several securities class action lawsuits currently
6 pending in the Northern District of California. Essentially, Oracle weaponizes its limited audit
7 rights under its license agreements by conducting predatory audits of its customers. On information
8 and belief, Oracle sets traps for unsuspecting customers, lays in wait anticipating that its customers
9 will act in a certain way, and then audits those customers, claiming that the anticipated activity
10 gives rise to numerous and repeated violations of the license agreement and demanding the payment
11 of extraordinary penalties to avoid termination of the license.

12 39. For example, on information and belief, Oracle provides its software with restricted
13 features enabled, unlike most software publishers that require license keys to access restricted
14 features. On information and belief, Oracle’s customers must independently become aware that
15 these features are enabled, know that those features are restricted under the terms of the license
16 agreement, and take affirmative action to disable those features to prevent Oracle from later
17 claiming large licensing penalties during an audit. On information and belief, Oracle does not
18 inform its customers that it provides its software with restricted features enabled, that those features
19 must be disabled by the customer, or that use of enabled features will be considered a violation of
20 the license agreement and will subject the customer to penalties. On information and belief, Oracle
21 also sets traps in its software to the extent a customer may inadvertently activate a feature without
22 really intending to do so. On information and belief, Oracle creates these circumstances
23 intentionally so that, down the road, during the inevitable audits of its customers, Oracle may claim
24 numerous instances of non-compliance with its license, demand penalties, and sell additional Oracle
25 software licenses.

26 40. On information and belief, Oracle also claims during audits that customers must take
27 a license for non-use of Oracle software, such as when customers utilize competing virtualization
28 technology provided by VMware, Inc. (“VMware”).

1 41. On information and belief, Oracle’s sales division works hand-in-glove with the
2 licensing and auditing arm of Oracle’s business, known as Global Licensing and Advisory Services
3 (“GLAS”) or, formerly, License Management Services (“LMS”). On information and belief, in the
4 typical audit GLAS issues a final audit report with a penalty so massive it is designed to shock and
5 strike fear in even the largest and most sophisticated of Oracle’s customers. On information and
6 belief, if the Oracle customer refuses to meet Oracle’s exorbitant monetary demands, Oracle then
7 threatens to terminate the license, or actually terminates the license, forcing the customer to choose
8 between paying Oracle additional licensing fees in the form of extortionate “list” prices for a license
9 or other licensing fees or penalties the customer does not owe, discontinuing the customer’s
10 business, or facing a suit by Oracle for copyright infringement.

11 42. On information and belief, as part of this ABC audit strategy, Oracle devised a
12 compensation scheme that incentivizes its salespeople to sell the Embedded license, Oracle’s most
13 restrictive license, instead of other less restrictive license types. On information and belief, Oracle
14 prefers selling the Embedded license because it expects and anticipates that its customers will
15 violate the restrictions of the license, which will allow Oracle to claim large licensing penalties later
16 when the customer is under audit. On information and belief, Oracle expects to generate higher
17 revenues overall by selling the Embedded license and auditing customers than by selling a less
18 restrictive license, even though the fees for the Embedded license are lower at inception than the
19 fees for any of Oracle’s less restrictive licenses. On information and belief, Oracle offers these
20 lower prices to win the business and eliminate competitors, all the while knowing it will lay in wait
21 and reap higher profits from the Oracle customer during the inevitable audit. On information and
22 belief, Oracle eventually audits the client’s operations, alleges violations of the restrictive
23 Embedded license, and demands payment of an exorbitant and inflated list price – one significantly
24 above market price – for a less restrictive license, or else face license termination.¹

25 _____
26 ¹ Oracle is adept at playing the long game with its audits. On information and belief, Oracle will
27 lay the trap for the licensee knowing full well that it won’t reap the benefits until further down
28 the road during the next audit. On information and belief, that is why Oracle incentivizes the

1 43. On information and belief, Oracle pushes the Embedded license over other licenses,
2 even when a customer discloses information showing that the Embedded license is incompatible
3 with the customer’s intended use of the Oracle software. This is exactly what happened to NECAM.
4 Even though NECAM disclosed to Oracle how it intended to use the Oracle software with its
5 Integra-ID 5 application, Oracle pushed NECAM to accept the Embedded license and later audited
6 NECAM, claiming that NECAM’s use of the Oracle software – exactly as previously disclosed to
7 Oracle – violated the terms of the Embedded license.

8 44. On information and belief, Oracle misrepresented the compatibility of the Embedded
9 license with NECAM’s disclosed use in order to persuade NECAM to agree to the Embedded
10 license, so Oracle could eventually claim huge licensing penalties during a later software audit and
11 so the Oracle sales team could earn the higher commissions on the Embedded license. Oracle
12 pushed NECAM to purchase the most restrictive license Oracle offered, the Embedded license,
13 knowing NECAM’s intended use of the Oracle software. Later, Oracle audited NECAM and
14 characterized NECAM’s use of the Oracle software – the exact same use previously disclosed to
15 Oracle – as a violation of the Embedded license. Oracle then demanded payment of license fees so
16 far above market that they would have driven NECAM into the arms of a competitor if they had
17 been offered by Oracle’s salespeople when NECAM originally sought a license. On information
18 and belief, Oracle planned to audit NECAM and characterize NECAM’s use of the Oracle software
19 as a violation of the Embedded software license when Oracle misrepresented the compatibility of
20 the Embedded license with NECAM’s intended use of Oracle’s software.

21 45. Each software license granted by Oracle is “limited to the application package
22 detailed on [an application package registration form] . . . and may not be combined with any
23 additional functionality or additional application programs outside the scope of the Application
24 Package as described [in the form].” (Oracle Embedded Software License Application Package
25 Registration Form at 1.) Additionally, “[a] separate Registration Form is required for each

26 _____
27 sale of the most restrictive licenses. Oracle is happy to forgo the extra income now, to reap a
28 huge windfall down the road.

1 Application Package that is functionally unique.” (Oracle Embedded Software License Application
2 Package Registration Form at 1.) In other words, despite having a master distribution agreement
3 with Oracle, each new application package developed by NECAM requires a new software license
4 from Oracle for NECAM to distribute Oracle’s database software with NECAM’s new application,
5 and each software license is granted by Oracle only after completion of a new registration form for
6 that software package. Additionally, the scope of the license granted by Oracle will depend on the
7 information disclosed by NECAM on Oracle’s registration form for a particular software package.

8 46. In early 2016, NECAM had an existing master distribution agreement with Oracle
9 and approached Oracle to obtain a new software license addendum, as required by Oracle, to
10 distribute Oracle database software with NECAM’s Integra ID-5 application. After discussions with
11 Oracle salespeople, NECAM completed Oracle’s Embedded Software License (ESL) Application
12 Package Registration Form (APRF) describing NECAM’s Integra ID-5 application and the planned
13 distribution and use of the Oracle database with the Integra ID-5 application. By email on March
14 29, 2016, Bruce Montgomery, Senior Purchasing Manager at NECAM, transmitted a PDF of the
15 completed ESL APRF to Raj Thakuria at Oracle. The completed ESL APRF was signed by Yvonne
16 Taylor, Director of Procurement at NECAM. The signed ESL APRF attached to Bruce
17 Montgomery’s email stated in response to question G10: “We [NECAM’s Integra-ID 5] can provide
18 customized reports, but End User is not able to navigate the underlying data or logical schema,” i.e.,
19 the Oracle database.

20 47. On December 7, 2016, Allison Bell, ISV Account Manager for Oracle, informed
21 Oliver Fish, a Senior Vendor Relations Specialist at NECAM, by email that the “first draft [of the
22 ESL APRF] was rejected.” In that email, Allison Bell requested additional input from NECAM via
23 email and offered that “I [Allison Bell] will make the appropriate changes and resubmit.” Alan
24 Reynolds at Oracle was copied on this email communication.

25 48. On December 19, 2016, Oliver Fish forwarded an email thread to Allison Bell and
26 Alan Reynolds at Oracle with the subject line “Oracle Usage and Licensing.” On information and
27 belief, this email thread provided the additional input requested by Allison Bell. In the body of the
28 email, Oliver Fish stated: “See below and let me know if this information can be utilized.” The

1 email thread below Oliver Fish’s email disclosed the following additional details about NECAM’s
2 planned use of the Oracle database with NECAM’s Integra ID-5 application: “Oracle is included
3 and installed as part [of] our application. We launch a standard set of scripts as part of application
4 installation, but it is also configured through our application interface.”

5 49. Allison Bell responded to Oliver Fish by email on December 20, 2016. In that email,
6 Allison Bell states: “I will try to resubmit [the ESL APRF] with the below information.” (The term
7 “below information” in Allison Bell’s email referred to the information provided in the email thread
8 forwarded by Oliver Fish the day before (December 19).) Allison Bell’s email on December 20 also
9 indicated she was seeking “final approvals” within Oracle for a draft of the ESL APRF.

10 50. On information and belief, Allison Bell and others on the Oracle sales team actively
11 sought or promoted revisions to the ESL APRF that would qualify customers, like NECAM, for an
12 Embedded license instead of offering a different license type. On information and belief, Oracle
13 incentivized this behavior through a coercive compensation scheme in order to enhance revenues
14 through its Audit, Bargain, Close tactics.

15 51. Despite knowing that NECAM’s Integra ID-5 application would be able to “provide
16 customized reports” from data retrieved from an Oracle database, Oracle’s salespeople continued to
17 push NECAM to accept an Embedded license to the Oracle database. On January 20, 2017, Allison
18 Bell emailed an updated price quote for an Embedded Software License to Oliver Fish. Alan
19 Reynolds at Oracle was copied on this email communication. In the email, Allison Bell stated:
20 “Worked through this proposal a bit more last night, please see attached.” Allison Bell also stated
21 that the proposal “might be a bit more clear on the different options and values.” The quote was
22 provided in an Excel spreadsheet attached to Allison Bell’s email and dated January 19, 2017. The
23 quote was prepared by Allison Bell and Greg Walker, both at Oracle. The only license presented in
24 the quote was an ESL. The “options” presented in the quote were different ways to pay for the ESL:
25 “Pay As You Go” or “2 Year Prepay.”

26 52. Ultimately, Oracle approved NECAM’s ESL APRF as revised by, or revised
27 according to guidance by, Allison Bell at Oracle. The approved ESL APRF was signed by Carlo
28 Lagdamen, Manager of Solution Engineering for NECAM, on March 7, 2017, and transmitted to

1 Oracle on or about the same date. In response to question G10, the ESL APRF approved by Oracle
2 omits any reference to customized reports and instead incorporates the information first provided to
3 Allison Bell on December 19. The approved response to question G10 states: “End User are not
4 allowed direct access to the database and are provided reports through Integra-ID 5 application
5 only. The application makes configuration changes to the database, however [*sic*] we launch the
6 install manually using standard scripts. We prepare the initial database and then install the NEC
7 application which can then make configuration changes to the database. The database does not
8 install through our installer. It is not a customized install however, [*sic*] it installs from disk and is
9 configured via the standard application.”

10 53. On March 8, 2017, the revised ESL APRF was countersigned by Dennis Cartey,
11 Deal Specialist for Oracle America, Inc.

12 54. Subsequently, Oracle and NECAM executed an Embedded Software License
13 Distribution Addendum to the Oracle PartnerNetwork Master Distribution Agreement between
14 NEC Corporation of America and Oracle America, Inc. The addendum expressly prevents NECAM
15 from distributing the Oracle database under any other software license type offered by Oracle.
16 Section 1(x) states: “The application program(s) described on the applicable application package
17 registration form and with which the programs are embedded must not be distributed under any
18 other Oracle distribution agreement.”

19 55. Aware of NECAM’s intended use of the Oracle software, Oracle granted NECAM a
20 license knowing that the restrictions present in the Embedded license type selected by Oracle would
21 not permit NECAM to use the Oracle software as it intended. In other words, Oracle promised to
22 authorize NECAM’s use of the Oracle software without ever intending to honor that promise.

23 56. NECAM relied on the selection of the Embedded license type by Oracle’s
24 salespeople and the false representation that the Embedded license would authorize NECAM’s
25 intended use of the Oracle software. NECAM’s reliance was reasonable given that NECAM was
26 required to submit a registration form, NECAM disclosed the intended use of Oracle’s software in
27 that registration form, and Oracle continued to push NECAM to take the Embedded license.
28

B. Preventing Application Customization and Development

61. Oracle has committed copyright misuse through its practice of pushing the Embedded license to facilitate Oracle’s predatory Audit, Bargain, Close strategy because these practices attempt to enlarge Oracle’s copyright monopoly by preventing NEC from modifying NEC’s own software, over which Oracle has no claim of copyright.

62. In letters addressing Oracle’s audit findings, Oracle complains that “NECAM customizes its application for each of its end users, which is a further violation of the ESL Addendum.” Oracle also complains that “NEC installs feature updates and bug fixes in the end user’s systems, on their behalf.” Here, Oracle is attempting to prohibit NECAM from modifying and updating NECAM’s own software – a software developed without any contribution or involvement by Oracle and over which Oracle has no claim of copyright. This is another instance of copyright misuse because it attempts to enlarge the scope of the monopoly protected by Oracle’s copyright, and it frustrates the purpose of copyright by stifling innovation by NECAM.

C. Preventing Remote Maintenance and Support of NECAM Software

63. Oracle has committed copyright misuse through its practice of pushing the Embedded license to facilitate Oracle’s predatory Audit, Bargain, Close strategy because these practices attempt to enlarge Oracle’s copyright monopoly by preventing NEC from providing support services for NEC’s own software, over which Oracle has no claim of copyright.

64. In Oracle’s letter to NECAM dated April 1, 2021, Oracle complains that “NEC installs feature updates and bug fixes in the end user’s systems, on their behalf.” Here, Oracle is attempting to prevent NECAM from developing and deploying new features and bug fixes in NECAM’s own software, over which Oracle has no claim of copyright. Oracle also complains that Oracle provides “monitoring and incident notification for networks and wireless devices, servers, applications, and IP telephony platforms” as well as “support services including configuration management, trend analysis, and dedicated support resources.” Here, Oracle is attempting to prevent NECAM from offering support services to customers of NECAM’s own software, over which Oracle has no claim of copyright. This is yet another instance of copyright misuse because it

1 attempts to enlarge the scope of the monopoly protected by Oracle’s copyright, and it frustrates the
2 purpose of copyright by stifling innovation by NECAM.

3 **FIFTH AFFIRMATIVE DEFENSE**

4 **License – Express or Implied**

5 65. NECAM realleges and incorporates herein by reference paragraphs 1-64, inclusive,
6 under the heading of “Affirmative Defenses” and related subheadings as though set forth in full in
7 this Fifth Affirmative Defense.

8 66. NECAM’s use of the Oracle software, which Oracle characterizes as a violation of
9 the Embedded license granted to NECAM and as copyright infringement, was and continues to be
10 authorized by the express terms of the agreement between Oracle and NECAM. In the alternative,
11 NECAM’s use of the Oracle software, which Oracle characterizes as a violation of the Embedded
12 license granted to NECAM and as copyright infringement, was and continues to be authorized by an
13 implied license because Oracle granted the Embedded license to NECAM after NECAM applied for
14 a license to Oracle’s software and, at Oracle’s request, disclosed its intended use for the Oracle
15 software.

16 67. In either event, Oracle did not have the right to demand payment of fees or penalties
17 for such use under an audit, and Oracle did not have the right to terminate its agreement with
18 NECAM. Oracle’s purported termination was ineffective, and Oracle’s agreement with NECAM
19 authorizing NECAM’s use of the Oracle software continues in full force and effect.

20 **SIXTH AFFIRMATIVE DEFENSE**

21 **Equitable Estoppel and/or Unclean Hands**

22 68. NECAM realleges and incorporates herein by reference paragraphs 1-67, inclusive,
23 under the heading of “Affirmative Defenses” and related subheadings as though set forth in full in
24 this Sixth Affirmative Defense.

25 69. Based on the conduct of Oracle alleged above and incorporated herein by reference,
26 Oracle’s causes of action and claims for relief are barred in whole or in part by the doctrines of
27 equitable estoppel and/or unclean hands. Oracle’s conduct caused the activity that it now
28

1 characterizes as a violation of the Embedded license granted to NECAM and as copyright
2 infringement.

3 70. Through its conduct, Oracle misrepresented the Embedded license as being
4 appropriate for NECAM's planned use of the Oracle software. Oracle initially selected the
5 Embedded license and asked NECAM to apply for the Embedded license by completing the
6 Embedded Software License Application Package Registration Form. That registration form
7 presented questions seeking details about the features of the NECAM software (Integra-ID) that
8 would be paired with Oracle's software. In responding to these questions, NECAM disclosed its
9 planned use of the Oracle software – the same use about which Oracle now complains. Knowing
10 NECAM's planned use of the Oracle software, Oracle continued to promote, and ultimately
11 granted, an Embedded license to NECAM.

12 71. Oracle knew NECAM's planned use of the Oracle software, granted the Embedded
13 license as if it were sufficient to authorized NECAM's planned use, and intended for NECAM to
14 use the Oracle software as planned so that Oracle could later audit NECAM and claim violations of
15 the Embedded license agreement. Oracle's conduct lead directly to its allegations of injury and
16 claims for relief in this action.

17 **SEVENTH AFFIRMATIVE DEFENSE**

18 **Mistake**

19 72. NECAM realleges and incorporates herein by reference paragraphs 1-71, inclusive,
20 under the heading of "Affirmative Defenses" and related subheadings as though set forth in full in
21 this Seventh Affirmative Defense.

22 73. Oracle misrepresented the Embedded license as being appropriate for NECAM's
23 planned use of the Oracle software. Oracle initially selected the Embedded license and asked
24 NECAM to apply for the Embedded license by completing the Embedded Software License
25 Application Package Registration Form. That registration form presented questions seeking details
26 about the features of the NECAM software (Integra-ID) that would be paired with Oracle's
27 software. In responding to these questions, NECAM disclosed its planned use of the Oracle
28 software – the same use about which Oracle now complains. Knowing NECAM's planned use of

1 the Oracle software, Oracle continued to promote, and ultimately granted, an Embedded license to
2 NECAM.

3 74. Because of Oracle’s conduct and its misrepresentation of the Embedded license as
4 being appropriate for NECAM’s planned use of the Oracle software, NECAM was mistaken that the
5 Embedded license authorized NECAM’s use of the Oracle software as planned. If Oracle had
6 correctly represented the scope of the Embedded license, NECAM would never have accepted the
7 Embedded license and would not be subject to Oracle’s extortionate audit demands.

8 **EIGHTH AFFIRMATIVE DEFENSE**

9 **Failure to Mitigate Damages**

10 75. NECAM realleges and incorporates herein by reference paragraphs 1-74, inclusive,
11 under the heading of “Affirmative Defenses” and related subheadings as though set forth in full in
12 this Eighth Affirmative Defense.

13 76. Oracle granted an Embedded license to NECAM knowing NECAM’s planned use of
14 the Oracle software and with the expectation that it would audit NECAM and characterize that same
15 use as a violation of the Embedded license. Oracle then laid in wait for nearly four years to allow
16 numerous alleged violations to accrue.

17 77. Oracle failed to mitigate damages in at least the following manners. Knowing
18 NECAM’s planned use of the Oracle software, Oracle failed to offer a compatible license and
19 thereby mitigate the amount of injury and damages Oracle now claims. Oracle also failed to audit
20 NECAM in a timely fashion and thereby mitigate the amount of injury and damages Oracle now
21 claims.

1 **COUNTERCLAIMS**

2 NEC Corporation of America (“NECAM”) hereby asserts the following counterclaims
3 against Oracle America, Inc. (“Oracle America”) and Oracle International Corporation (“Oracle
4 International”) (together “Oracle”). NECAM reserves the right to assert additional counterclaims as
5 warranted by the facts revealed through discovery.

6 **PARTIES**

7 1. NEC Corporation of America (“NECAM”) is a corporation organized under the laws
8 of the State of Nevada with its headquarters and principal place of business at 3929 W John
9 Carpenter Freeway, Irving, Texas, 75063. NECAM is a subsidiary of NEC Corporation, a Japanese
10 multinational information technology company headquartered in Minato, Tokyo, Japan.

11 2. Upon information and belief, Oracle America, Inc. (“Oracle America”) is a
12 corporation organized under the laws of the State of Delaware with its principal place of business at
13 500 Oracle Parkway, Redwood Shores, California 94065.

14 3. Upon information and belief, Oracle International Corporation (“Oracle
15 International”) is a corporation organized under the laws of the State of California with its principal
16 place of business at 500 Oracle Parkway, Redwood Shores, California 94065.

17 **JURISDICTION AND VENUE**

18 4. This Court has subject matter jurisdiction over these counterclaims pursuant to 28
19 U.S.C. § 1367.

20 5. This Court also has subject matter jurisdiction under 28 U.S.C. § 1332. The matter in
21 controversy exceeds the sum or value of \$75,000, exclusive of interest and costs, and the action is
22 between citizens of different States.

23 6. This Court has personal jurisdiction over Oracle America and Oracle International
24 because Oracle America and Oracle International filed this action and submitted to the jurisdiction
25 of this Court. In addition, Oracle America and Oracle International conduct substantial business in
26 the United States, and in the State of California and the Northern District of California. The claims
27 arise from Oracle America and Oracle International’s actions substantially occurring in the state of
28 California.

1 7. Venue is proper in this district because Oracle America and Oracle International
 2 filed this action and alleged that venue is proper in this district. In addition, Oracle America and
 3 Oracle International have also consented to the exclusive jurisdiction of, and venue in, the courts in
 4 San Francisco and Santa Clara counties in California, in any disputes arising out of or relating to the
 5 Oracle PartnerNetwork Agreement (“OPN Agreement”) and the related Master Distribution
 6 Agreement (“MDA”) between NECAM and Oracle America, and this is such a dispute. *See* 2018
 7 MDA § Q(1) (“This Agreement is governed by the substantive and procedural laws of the State of
 8 California and you and Oracle agree to submit to the exclusive jurisdiction of, and venue in, the
 9 courts in San Francisco or Santa Clara counties in California, in any dispute arising out of or
 10 relating to this agreement.”); 2020 OPN Agreement § W(1) (“This agreement is governed by the
 11 substantive and procedural laws of the State of California and you and Oracle agree to submit to the
 12 exclusive jurisdiction of, and venue in, the courts in San Francisco or Santa Clara counties in
 13 California in any disputes arising out of or relating to this agreement.”).

14 8. Venue is proper in this District pursuant to 28 U.S.C. § 1400(a), as Oracle America
 15 and Oracle International are subject to personal jurisdiction within this district. Venue is further
 16 proper in this District, as Oracle America and Oracle International have consented to venue here, as
 17 discussed above.

FIRST COUNTERCLAIM

Intentional Misrepresentation and / or False Promise

19 9. NECAM realleges and incorporates by reference as if set forth in full in this First
 20 Counterclaim: NECAM’s responses to paragraphs 1-44, inclusive, of Oracle’s Complaint; the
 21 allegations contained in paragraphs 1-77, inclusive, of NECAM’s Affirmative Defenses; and each
 22 of paragraphs 1-8, inclusive, of these Counterclaims.

23 10. The conduct of Oracle described in the foregoing paragraphs demonstrates that
 24 Oracle procured through fraud NECAM’s agreement to use and distribute Oracle’s software with
 25 NECAM’s own Integra-ID software. Oracle’s fraudulent conduct is already alleged with factual
 26 particularity above, and those allegations are incorporated by reference as though set forth fully
 27 herein. Such conduct may be summarized, without limitation, as follows.
 28

1 11. Oracle misrepresented the compatibility of the Embedded license with NECAM's
2 intended use of the Oracle software. Oracle falsely represented that the Embedded license type
3 would authorize NECAM to use Oracle's software as NECAM intended. In order to apply for a
4 license to Oracle's software, NECAM was required to complete an Oracle registration form, and
5 Oracle selected and provided the Embedded Software License Application Package Registration
6 Form to NECAM. In the registration form, NECAM disclosed to Oracle its intended use of the
7 Oracle software. After receiving this disclosure, Oracle continued to push NECAM to purchase the
8 Embedded license rather than any less restrictive license Oracle offered. Oracle's salespeople even
9 advised NECAM to revise its registration form to qualify for the Embedded license. Oracle issued
10 the Embedded license to NECAM and directed NECAM to sublicense the Oracle software only
11 using the Embedded license structure. Oracle now characterizes NECAM's use of the Oracle
12 software – the exact same use previously disclosed to Oracle – as a violation of the restrictions of
13 the Embedded license.

14 12. On information and belief, Oracle knew that NECAM's intended use of the Oracle
15 software would violate the restrictions of Oracle's Embedded license. In response to question G10
16 on Oracle's Embedded Software License Application Package Registration Form, NECAM advised
17 Oracle that NECAM's software, in which the Oracle software would be embedded, "can provide
18 customized reports." Oracle then instructed NECAM to reinterpret the questions on the Embedded
19 license registration form as asking whether NECAM customized software installations. Because
20 NECAM does not customize software installations, its answer to question G10 changed to a "no."
21 On information and belief, that answer paved the way to Oracle issuing the Embedded license to
22 NECAM. After NECAM updated its responses to the registration form based on Oracle's guidance,
23 Oracle granted NECAM an Embedded license to use Oracle's software. On information and belief,
24 Oracle instructed NECAM to reinterpret the question because NECAM's prior answer disclosed a
25 use that was incompatible with the Embedded license.

26 13. On information and belief, Oracle has implemented an audit strategy and unfair trade
27 practice known as "Audit, Bargain, Close," or "ABC." Oracle's ABC audit scheme has been widely
28 reported in the business press and is the subject of several securities class action lawsuits currently

1 pending in the Northern District of California. Essentially, Oracle weaponizes its limited audit
2 rights under its license agreements by conducting predatory audits of its customers. On information
3 and belief, Oracle sets traps for unsuspecting customers, lays in wait anticipating that its customers
4 will act in a certain way, and then audits those customers, claiming that the anticipated activity
5 gives rise to numerous and repeated violations of the license agreement and demanding the payment
6 of extraordinary penalties to avoid termination of the license.

7 14. For example, on information and belief, Oracle provides its software with restricted
8 features enabled, unlike most software publishers that require license keys to access restricted
9 features. On information and belief, Oracle's customers must independently become aware that
10 these features are enabled, know that those features are restricted under the terms of the license
11 agreement, and take affirmative action to disable those features to prevent Oracle from later
12 claiming large licensing penalties during an audit. On information and belief, Oracle does not
13 inform its customers that it provides its software with restricted features enabled, that those features
14 must be disabled by the customer, or that use of enabled features will be considered a violation of
15 the license agreement and will subject the customer to penalties. On information and belief, Oracle
16 also sets traps in its software to the extent a customer may inadvertently activate a feature without
17 really intending to do so. On information and belief, Oracle creates these circumstances
18 intentionally so that, down the road, during the inevitable audits of its customers, Oracle may claim
19 numerous instances of non-compliance with its license, demand penalties, and sell additional Oracle
20 software licenses.

21 15. On information and belief, Oracle also claims during audits that customers must take
22 a license for non-use of Oracle software, such as when customers utilize competing virtualization
23 technology provided by VMware.

24 16. On information and belief, Oracle's sales division works hand-in-glove with the
25 licensing and auditing arm of Oracle's business, known as Global Licensing and Advisory Services
26 ("GLAS") or, formerly, License Management Services ("LMS"). On information and belief, in the
27 typical audit GLAS issues a final audit report with a penalty so massive it is designed to shock and
28 strike fear in even the largest and most sophisticated of Oracle's customers. On information and

1 belief, if the Oracle customer refuses to meet Oracle’s exorbitant monetary demands, Oracle then
2 threatens to terminate the license, or actually terminates the license, forcing the customer to choose
3 between paying Oracle additional licensing fees in the form of extortionate “list” prices for a license
4 or other licensing fees or penalties the customer does not owe, discontinuing the customer’s
5 business, or facing a suit by Oracle for copyright infringement.

6 17. On information and belief, as part of this ABC audit strategy, Oracle devised a
7 compensation scheme that incentivizes its salespeople to sell the Embedded license, Oracle’s most
8 restrictive license, instead of other less restrictive license types. On information and belief, Oracle
9 prefers selling the Embedded license because it expects and anticipates that its customers will
10 violate the restrictions of the license, which will allow Oracle to claim large licensing penalties later
11 when the customer is under audit. On information and belief, Oracle expects to generate higher
12 revenues overall by selling the Embedded license and auditing customers than by selling a less
13 restrictive license, even though the fees for the Embedded license are lower at inception than the
14 fees for any of Oracle’s less restrictive licenses. On information and belief, Oracle offers these
15 lower prices to win the business and eliminate competitors, all the while knowing it will lay in wait
16 and reap higher profits from the Oracle customer during the inevitable audit. On information and
17 belief, Oracle eventually audits the client’s operations, alleges violations of the restrictive
18 Embedded license, and demands payment of an exorbitant and inflated list price – one significantly
19 above market price – for a less restrictive license, or else face license termination.²

20 18. On information and belief, Oracle pushes the Embedded license over other licenses,
21 even when a customer discloses information showing that the Embedded license is incompatible
22 with the customer’s intended use of the Oracle software. This is exactly what happened to NECAM.

24 ² Oracle is adept at playing the long game with its audits. On information and belief, Oracle will
25 lay the trap for the licensee knowing full well that it won’t reap the benefits until further down
26 the road during the next audit. On information and belief, that is why Oracle incentivizes the
27 sale of the most restrictive licenses. Oracle is happy to forgo the extra income now, to reap a
28 huge windfall down the road.

1 Even though NECAM disclosed to Oracle how it intended to use the Oracle software with its
2 Integra-ID 5 application, Oracle pushed NECAM to accept the Embedded license and later audited
3 NECAM, claiming that NECAM's use of the Oracle software – exactly as previously disclosed to
4 Oracle – violated the terms of the Embedded license.

5 19. On information and belief, Oracle misrepresented the compatibility of the Embedded
6 license with NECAM's disclosed use in order to persuade NECAM to agree to the Embedded
7 license, so Oracle could eventually claim huge licensing penalties during a later software audit and
8 so the Oracle sales team could earn the higher commissions on the Embedded license. Oracle
9 pushed NECAM to purchase the most restrictive license Oracle offered, the Embedded license,
10 knowing NECAM's intended use of the Oracle software. Later, Oracle audited NECAM and
11 characterized NECAM's use of the Oracle software – the exact same use previously disclosed to
12 Oracle – as a violation of the Embedded license. Oracle then demanded payment of license fees so
13 far above market that they would have driven NECAM into the arms of a competitor if they had
14 been offered by Oracle's salespeople when NECAM originally sought a license. On information
15 and belief, Oracle planned to audit NECAM and characterize NECAM's use of the Oracle software
16 as a violation of the Embedded software license when Oracle misrepresented the compatibility of
17 the Embedded license with NECAM's intended use of Oracle's software.

18 20. Each software license granted by Oracle is “limited to the application package
19 detailed on [an application package registration form] . . . and may not be combined with any
20 additional functionality or additional application programs outside the scope of the Application
21 Package as described [in the form].” (Oracle Embedded Software License Application Package
22 Registration Form at 1.) Additionally, “[a] separate Registration Form is required for each
23 Application Package that is functionally unique.” (Oracle Embedded Software License Application
24 Package Registration Form at 1.) In other words, despite having a master distribution agreement
25 with Oracle, each new application package developed by NECAM requires a new software license
26 from Oracle for NECAM to distribute Oracle's database software with NECAM's new application,
27 and each software license is granted by Oracle only after completion of a new registration form for
28

1 that software package. Additionally, the scope of the license granted by Oracle will depend on the
2 information disclosed by NECAM on Oracle's registration form for a particular software package.

3 21. In early 2016, NECAM had an existing master distribution agreement with Oracle
4 and approached Oracle to obtain a new software license addendum, as required by Oracle, to
5 distribute Oracle database software with NECAM's Integra ID-5 application. After discussions with
6 Oracle salespeople, NECAM completed Oracle's Embedded Software License (ESL) Application
7 Package Registration Form (APRF) describing NECAM's Integra ID-5 application and the planned
8 distribution and use of the Oracle database with the Integra ID-5 application. By email on March
9 29, 2016, Bruce Montgomery, Senior Purchasing Manager at NECAM, transmitted a PDF of the
10 completed ESL APRF to Raj Thakuria at Oracle. The completed ESL APRF was signed by Yvonne
11 Taylor, Director of Procurement at NECAM. The signed ESL APRF attached to Bruce
12 Montgomery's email stated in response to question G10: "We [NECAM's Integra-ID 5] can provide
13 customized reports, but End User is not able to navigate the underlying data or logical schema," i.e.,
14 the Oracle database.

15 22. On December 7, 2016, Allison Bell, ISV Account Manager for Oracle, informed
16 Oliver Fish, a Senior Vendor Relations Specialist at NECAM, by email that the "first draft [of the
17 ESL APRF] was rejected." In that email, Allison Bell requested additional input from NECAM via
18 email and offered that "I [Allison Bell] will make the appropriate changes and resubmit." Alan
19 Reynolds at Oracle was copied on this email communication.

20 23. On December 19, 2016, Oliver Fish forwarded an email thread to Allison Bell and
21 Alan Reynolds at Oracle with the subject line "Oracle Usage and Licensing." On information and
22 belief, this email thread provided the additional input requested by Allison Bell. In the body of the
23 email, Oliver Fish stated: "See below and let me know if this information can be utilized." The
24 email thread below Oliver Fish's email disclosed the following additional details about NECAM's
25 planned use of the Oracle database with NECAM's Integra ID-5 application: "Oracle is included
26 and installed as part [of] our application. We launch a standard set of scripts as part of application
27 installation, but it is also configured through our application interface."
28

1 24. Allison Bell responded to Oliver Fish by email on December 20, 2016. In that email,
2 Allison Bell states: “I will try to resubmit [the ESL APRF] with the below information.” (The term
3 “below information” in Allison Bell’s email referred to the information provided in the email thread
4 forwarded by Oliver Fish the day before (December 19).) Allison Bell’s email on December 20 also
5 indicated she was seeking “final approvals” within Oracle for a draft of the ESL APRF.

6 25. On information and belief, Allison Bell and others on the Oracle sales team actively
7 sought or promoted revisions to the ESL APRF that would qualify customers, like NECAM, for an
8 Embedded license instead of offering a different license type. On information and belief, Oracle
9 incentivized this behavior through a coercive compensation scheme in order to enhance revenues
10 through its Audit, Bargain, Close tactics.

11 26. Despite knowing that NECAM’s Integra ID-5 application would be able to “provide
12 customized reports” from data retrieved from an Oracle database, Oracle’s salespeople continued to
13 push NECAM to accept an Embedded license to the Oracle database. On January 20, 2017, Allison
14 Bell emailed an updated price quote for an Embedded Software License to Oliver Fish. Alan
15 Reynolds at Oracle was copied on this email communication. In the email, Allison Bell stated:
16 “Worked through this proposal a bit more last night, please see attached.” Allison Bell also stated
17 that the proposal “might be a bit more clear on the different options and values.” The quote was
18 provided in an Excel spreadsheet attached to Allison Bell’s email and dated January 19, 2017. The
19 quote was prepared by Allison Bell and Greg Walker, both at Oracle. The only license presented in
20 the quote was an ESL. The “options” presented in the quote were different ways to pay for the ESL:
21 “Pay As You Go” or “2 Year Prepay.”

22 27. Ultimately, Oracle approved NECAM’s ESL APRF as revised by, or revised
23 according to guidance by, Allison Bell at Oracle. The approved ESL APRF was signed by Carlo
24 Lagdamen, Manager of Solution Engineering for NECAM, on March 7, 2017, and transmitted to
25 Oracle on or about the same date. In response to question G10, the ESL APRF approved by Oracle
26 omits any reference to customized reports and instead incorporates the information first provided to
27 Allison Bell on December 19. The approved response to question G10 states: “End User are not
28 allowed direct access to the database and are provided reports through Integra-ID 5 application

1 only. The application makes configuration changes to the database, however [*sic*] we launch the
2 install manually using standard scripts. We prepare the initial database and then install the NEC
3 application which can then make configuration changes to the database. The database does not
4 install through our installer. It is not a customized install however, [*sic*] it installs from disk and is
5 configured via the standard application.”

6 28. On March 8, 2017, the revised ESL APRF was countersigned by Dennis Cartey,
7 Deal Specialist for Oracle America, Inc.

8 29. Subsequently, Oracle and NECAM executed an Embedded Software License
9 Distribution Addendum to the Oracle PartnerNetwork Master Distribution Agreement between
10 NEC Corporation of America and Oracle America, Inc. The addendum expressly prevents NECAM
11 from distributing the Oracle database under any other software license type offered by Oracle.
12 Section 1(x) states: “The application program(s) described on the applicable application package
13 registration form and with which the programs are embedded must not be distributed under any
14 other Oracle distribution agreement.”

15 30. Aware of NECAM’s intended use of the Oracle software, Oracle granted NECAM a
16 license knowing that the restrictions present in the Embedded license type selected by Oracle would
17 not permit NECAM to use the Oracle software as it intended. In other words, Oracle promised to
18 authorize NECAM’s use of the Oracle software without ever intending to honor that promise.

19 31. NECAM relied on the selection of the Embedded license type by Oracle’s
20 salespeople and the false representation that the Embedded license would authorize NECAM’s
21 intended use of the Oracle software. NECAM’s reliance was reasonable given that NECAM was
22 required to submit a registration form, NECAM disclosed the intended use of Oracle’s software in
23 that registration form, and Oracle continued to push NECAM to take the Embedded license.

24 32. Absent Oracle’s misrepresentation, NECAM would have selected a less restrictive
25 license structure or pursued a license to database software from another vendor. NECAM has been
26 damaged by Oracle’s fraud and misrepresentations in an amount to be proven at trial.

27 33. The aforementioned acts of the counterclaim defendants, and each of them, were
28 willful and malicious so as to justify an award of exemplary and punitive damages.

SECOND COUNTERCLAIM**Copyright Misuse**

34. NECAM realleges and incorporates by reference as if set forth in full in this First Counterclaim: NECAM's responses to paragraphs 1-44, inclusive, of Oracle's Complaint; the allegations contained in paragraphs 1-77, inclusive, of NECAM's Affirmative Defenses; and each of paragraphs 1-33, inclusive, of these Counterclaims.

35. NECAM is entitled to a judicial declaration that Oracle's copyright in the Oracle Database (as defined in paragraph 11 of Oracle's Complaint for Copyright Infringement and Breach of Contract, D.I. 1 ("Complaint"), including but not limited to all editions of the Oracle Database identified in paragraph 12 of Oracle's Complaint) and the Database Options and Packs (as defined in paragraph 12 of Oracle's Complaint) are unenforceable due to copyright misuse for one or more of the reasons described below in parts A, B, and/or C of this Second Counterclaim, and NECAM is entitled to an injunction preventing Oracle from conducting the activities described below in parts A, B, and C of this Second Counterclaim.

A. Preventing Customized Reports

36. Oracle has committed copyright misuse through its practice of pushing the Embedded license to facilitate Oracle's predatory Audit, Bargain, Close strategy because these practices attempt to enlarge Oracle's copyright monopoly by preventing NEC from delivering the full features available in NEC's own software, over which Oracle has no claim of copyright.

37. NECAM's software includes a feature that allows for customization of reports presented to the end user. NECAM may also customize its software to generate reports according to an end user's requirements. The customization of NECAM's software and the ability to generate customized reports are features developed entirely by NECAM without any contribution or involvement by Oracle. Oracle's software retrieves information from a database, but it is NECAM's software that determines what information is needed and how that information should be reported to the end user. Oracle's Embedded license seeks to prevent NECAM from delivering the full functionality of NECAM's own software, over which Oracle has no claim of copyright. And Oracle also has no ownership claims over the data that is stored in Oracle's database. This is copyright

1 misuse because it attempts to enlarge the scope of the monopoly protected by Oracle’s copyright, it
2 frustrates the purpose of copyright by stifling innovation by NECAM, and through restrictions such
3 as these Oracle is essentially interfering with its partners’ (or customers’) ability to use their own
4 copyrighted works and data.

5 **B. Preventing Application Customization and Development**

6 38. Oracle has committed copyright misuse through its practice of pushing the
7 Embedded license to facilitate Oracle’s predatory Audit, Bargain, Close strategy because these
8 practices attempt to enlarge Oracle’s copyright monopoly by preventing NEC from modifying
9 NEC’s own software, over which Oracle has no claim of copyright.

10 39. In letters addressing Oracle’s audit findings, Oracle complains that “NECAM
11 customizes its application for each of its end users, which is a further violation of the ESL
12 Addendum.” Oracle also complains that “NEC installs feature updates and bug fixes in the end
13 user’s systems, on their behalf.” Here, Oracle is attempting to prohibit NECAM from modifying
14 and updating NECAM’s own software – a software developed without any contribution or
15 involvement by Oracle and over which Oracle has no claim of copyright. This is another instance of
16 copyright misuse because it attempts to enlarge the scope of the monopoly protected by Oracle’s
17 copyright, and it frustrates the purpose of copyright by stifling innovation by NECAM.

18 **C. Preventing Remote Maintenance and Support of NECAM Software**

19 40. Oracle has committed copyright misuse through its practice of pushing the
20 Embedded license to facilitate Oracle’s predatory Audit, Bargain, Close strategy because these
21 practices attempt to enlarge Oracle’s copyright monopoly by preventing NEC from providing
22 support services for NEC’s own software, over which Oracle has no claim of copyright.

23 41. In Oracle’s letter to NECAM dated April 1, 2021, Oracle complains that “NEC
24 installs feature updates and bug fixes in the end user’s systems, on their behalf.” Here, Oracle is
25 attempting to prevent NECAM from developing and deploying new features and bug fixes in
26 NECAM’s own software, over which Oracle has no claim of copyright. Oracle also complains that
27 Oracle provides “monitoring and incident notification for networks and wireless devices, servers,
28 applications, and IP telephony platforms” as well as “support services including configuration

1 management, trend analysis, and dedicated support resources.” Here, Oracle is attempting to
 2 prevent NECAM from offering support services to customers of NECAM’s own software, over
 3 which Oracle has no claim of copyright. This is yet another instance of copyright misuse because it
 4 attempts to enlarge the scope of the monopoly protected by Oracle’s copyright, and it frustrates the
 5 purpose of copyright by stifling innovation by NECAM.

6 **THIRD COUNTERCLAIM**

7 **California Business & Professions Code § 17200**

8 42. NECAM realleges and incorporates by reference as if set forth in full in this First
 9 Counterclaim: NECAM’s responses to paragraphs 1-44, inclusive, of Oracle’s Complaint; the
 10 allegations contained in paragraphs 1-77, inclusive, of NECAM’s Affirmative Defenses; and each of
 11 paragraphs 1-41, inclusive, of these Counterclaims.

12 43. Oracle has committed, and on information and belief continues to commit, certain
 13 business acts and practices (*i.e.*, ABC tactics) that actually harmed NECAM and those in the general
 14 public similarly situated to NECAM. Those actionable and unfair business acts and practices are
 15 already alleged with factual particularity above, and those allegations are incorporated by reference
 16 as though set forth fully herein. The hereinabove allegations of business acts and practices become
 17 actionable under California’s Unfair Competition Law in conjunction with the following additional
 18 allegations.

19 44. The recited facts show that Oracle has engaged in a pattern of behavior that is
 20 deceptive, fraudulent, unethical, oppressive, and unfair. In particular, Oracle misrepresented the
 21 nature of the inquiry in question G10 of the registration form and the contours of the restrictions set
 22 forth in the Embedded license. Oracle fraudulently induced NECAM to believe that it could, among
 23 other things, customize reports under the Embedded license model. On information and belief, at the
 24 time of these misrepresentations and fraudulent inducements, Oracle knew it would take contrary
 25 positions in a subsequent audit.

26 45. After fraudulently inducing NECAM to sublicense Oracle software using the
 27 Embedded license, Oracle then laid in wait—for years—before requesting an audit. The lengthy delay
 28 meant the hidden cost of using Oracle software would continue to snowball—at list price—and that

1 it would be much more difficult with the passage of time for NECAM to find evidence of Oracle's
2 contrary statements. And when Oracle did conduct the audit, it refused to give effect to its prior
3 directions and representations to NECAM; it ignored plain terms in the agreement that limited
4 Oracle's claims to a 2-year period; and it insisted that "may not" has the same meaning as "must not."
5 Such business acts and audit practices are "unlawful" in that they are forbidden by law.

6 46. Such business acts and ABC audit practices are "unfair" in that they offend an
7 established public policy and/or are immoral, unethical, oppressive and/or substantially injurious to
8 NEC and other Oracle licensees.

9 47. Such business acts and audit practices are "fraudulent" in that they did mislead NEC
10 and are likely to mislead members of the general public that are Oracle licensees or potential Oracle
11 licensees. At all relevant times, NEC relied on Oracle's misrepresentations, misleading statements,
12 and conduct, such as its assertions that the audit would be conducted fairly and in a cooperative and
13 transparent matter, and those in the general public similarly situated will likely also rely on the same
14 fraudulent and material representations in the future.

15 48. Because such business acts and practices are unlawful, unfair and fraudulent, they
16 violate California's Unfair Competition Law ("UCL"), Business & Professions Code §§ 17200, et
17 seq., and are actionable by NEC for injunctive relief and restitution in an amount to be proven at trial.

18 **FOURTH COUNTERCLAIM**

19 **Breach of Contract**

20 49. NECAM realleges and incorporates by reference as if set forth in full in this First
21 Counterclaim: NECAM's responses to paragraphs 1-44, inclusive, of Oracle's Complaint; the
22 allegations contained in paragraphs 1-77, inclusive, of NECAM's Affirmative Defenses; and each of
23 paragraphs 1-48, inclusive, of these Counterclaims.

24 50. The conduct of Oracle described in the foregoing paragraphs demonstrates that Oracle
25 has breached its contractual obligations to NECAM in at least the following ways. By claiming during
26 its audit of NECAM in October 2020 that the activities and uses of software previously disclosed by
27 NECAM on Oracle's registration forms now violate the restrictions in the Embedded license, Oracle
28 violates its representation that the Embedded license authorized NECAM's intended use. By seeking

1 damages beyond the 2-year contractually-imposed limitations period, Oracle violates an express term
2 of the 2013 MDA. By arguing “may not” has the meaning of “must not,” Oracle unreasonably and
3 groundlessly seeks to restrict NECAM’s authorized use of Oracle’s software by rewriting a key term
4 of the agreement between the parties. Oracle also breached the agreement between the parties by
5 terminating the agreement without cause on the basis of an audit report that contradicts the terms of
6 the agreement between the parties. Oracle has also breached the agreement by conducting a predatory
7 audit that has unreasonably interfered with NECAM’s normal business operations in violation of the
8 audit clause.

9 **FIFTH COUNTERCLAIM**

10 **Breach of Implied Covenant of Good Faith and Fair Dealing**

11 51. NECAM realleges and incorporates by reference as if set forth in full in this First
12 Counterclaim: NECAM’s responses to paragraphs 1-44, inclusive, of Oracle’s Complaint; the
13 allegations contained in paragraphs 1-77, inclusive, of NECAM’s Affirmative Defenses; and each of
14 paragraphs 1-50, inclusive, of these Counterclaims.

15 52. The conduct of Oracle described in the foregoing paragraphs demonstrates that Oracle
16 failed to act fairly and in good faith in negotiating a software license with NECAM and in its conduct
17 under the agreements with NECAM. Such conduct may be summarized, without limitation, as
18 follows.

19 53. On information and belief, Oracle pushes clients toward the most restrictive type of
20 license, the Embedded license, as part of a business strategy and pattern of conduct called “Audit,
21 Bargain, Close,” or “ABC.” On information and belief, as part of the ABC strategy, Oracle pushes
22 clients to purchase the Embedded license with the expectation that the client’s intended use of the
23 Oracle software would violate the restrictions of the Embedded license so that Oracle may later audit
24 the client’s operations and demand unreasonable and exorbitant penalties when the expected
25 violations are found by Oracle’s auditors.

26 54. On information and belief, Oracle pursued the ABC strategy against NECAM, and has
27 pursued the same strategy against other Oracle licensees. On information and belief, Oracle pushed
28 NECAM toward the most restrictive type of license, the Embedded license, having the expectation

1 that NECAM's intended use would violate the restrictions of the Embedded license. NECAM
 2 completed and submitted registration forms to Oracle that disclosed NECAM's intended use of the
 3 Oracle software. On information and belief, Oracle expected that such use would violate the
 4 restrictions of the Embedded license. Oracle even directed NECAM to reinterpret at least one key
 5 question on the registration form such that NECAM's disclosure would be altered to qualify for the
 6 Embedded license. Oracle then directed NECAM to sublicense Oracle software using the Embedded
 7 license and waited years before auditing NECAM's operations. Once the audit was underway Oracle
 8 ignored its directions and representations to NECAM, ignored terms such as the contractually-
 9 imposed 2-year limitations period, unilaterally construed ambiguities in the Oracle agreements
 10 against NECAM, and asserted claims against NECAM based on Oracle's list price and demanded
 11 unreasonable and exorbitant penalties from NECAM for the issues that NECAM disclosed to Oracle
 12 in advance of entering into the license. When NECAM pointed out Oracle's conduct was predatory
 13 and inappropriate, Oracle terminated NECAM's license.

14 55. The foregoing conduct, Oracle's refusal to take responsibility for directing NECAM
 15 to sublicense Oracle software using the Embedded license, Oracle's decision to ignore unfavorable
 16 contract terms, and its insistence at rewriting its own agreement (e.g., claiming that "may not" means
 17 "must not") are all examples of Oracle's failure to act fairly and in good faith.

SIXTH COUNTERCLAIM

Intentional Interference with Contractual Relations /

Intentional Interference with Performance of Contract

21 56. NECAM realleges and incorporates by reference as if set forth in full in this First
 22 Counterclaim: NECAM's responses to paragraphs 1-44, inclusive, of Oracle's Complaint; the
 23 allegations contained in paragraphs 1-77, inclusive, of NECAM's Affirmative Defenses; and each of
 24 paragraphs 1-55, inclusive, of these Counterclaims.

25 57. NECAM is entitled to a judgment that Oracle has intentionally interfered with
 26 NECAM's contractual relations and/or a judicial declaration that Oracle's intentional conduct will,
 27 or will continue to, interfere with NECAM's contractual relations.

1 58. NECAM has existing contracts with numerous customers for the provision and support
2 of the Integra ID-5 application with Oracle database software. NECAM customers with existing
3 contracts impacted by Oracle's predatory Audit, Bargain, Close tactics include the NECAM
4 customers specifically identified by Oracle in its October 8, 2020 Audit Report to NECAM. At all
5 relevant times, the contracts with the identified customers have been valid and enforceable.

6 59. Oracle has known about NECAM's contractual relationship with each of these
7 customers since mid-to-late 2020. NECAM disclosed its deployment of the Integra ID-5 application
8 to each of these customers in connection with Oracle's 2020 audit of NECAM, and Oracle's October
9 8, 2020 Audit Report identified NECAM's deployment to each of these customers as a violation of
10 the Embedded license Oracle granted to NECAM.

11 60. Oracle has disrupted NECAM's contractual relationship with each of these customers
12 by making it more expensive and more burdensome for NECAM to provide and support the Integra
13 ID-5 application for these customers. Oracle has made, and will continue to make, it more expensive
14 for NECAM to provide and support the Integra ID-5 application for these customers by demanding
15 additional license fees not owed to Oracle. Oracle has made, and will continue to make, it more
16 burdensome for NECAM to provide and support the Integra ID-5 application by misusing its
17 copyright to restrict NECAM's ability to develop and support NECAM's ID-5 application for these
18 customers. Oracle has made, and will continue to make, it more burdensome for NECAM to provide
19 and support the Integra ID-5 application for these customers by purporting to terminate NECAM's
20 license and PartnerNetwork distribution agreement for the Oracle database software.

21 61. The aforementioned conduct by Oracle was designed and intended to disrupt
22 NECAM's contractual relationships with identified customers in order to pressure and extort NECAM
23 to pay additional license fees to Oracle that were not owed under NECAM's existing agreement with
24 Oracle, including but not limited to the purchase of additional licenses at elevated "list" prices.

25 62. NECAM has been damaged and will continue to be damaged at least in the form of
26 lost profits, lost revenues, loss of reputation, and diminution in the value of its business (in amounts
27 to be proved at trial) as the result of Oracle's conduct as described in foregoing paragraphs
28 incorporated herein by reference, including at a minimum, Oracle's baseless claims for additional

1 licensing fees, Oracle’s copyright misuse and attempts to restrict NECAM’s ability to develop and
2 support NECAM’s Integra ID-5 application, and Oracle’s purported termination of NECAM’s license
3 and PartnerNetwork distribution agreement. The aforementioned conduct by Oracle was the
4 substantial, direct, and proximate cause of the harm to NECAM.

5 63. The aforementioned acts of the counterclaim defendants, and each of them, were
6 willful and malicious so as to justify an award of exemplary and punitive damages.

7
8 **PRAYER FOR RELIEF**

9 WHEREFORE, NECAM as Counterclaim Plaintiff respectfully requests that this Court enter
10 judgment in its favor and against Oracle as follows:

- 11 A. Enter judgment for NECAM and against Oracle on Oracle’s First Cause of Action for
12 breach of contract against NECAM;
- 13 B. Enter judgment for NECAM and against Oracle on Oracle’s Second Cause of Action
14 for copyright infringement against NECAM;
- 15 C. Enter judgment for NECAM and against Oracle on NECAM’s First Counterclaim for
16 intentional misrepresentation and / or false promise by Oracle;
- 17 D. Enter judgment for NECAM and against Oracle on NECAM’s Second Counterclaim
18 for copyright misuse by Oracle and declare Oracle’s copyright in the Oracle Database
19 and the Database Options and Packs unenforceable;
- 20 E. Enter an injunction preventing Oracle from enforcing its copyright in the Oracle
21 Database and the Database Options and Packs until Oracle discontinues the conduct
22 constituting copyright misuse;
- 23 F. Enter judgment for NECAM and against Oracle on NECAM’s Third Counterclaim for
24 violation of California’s Unfair Competition Law, Business & Professions Code §§
25 17200, et seq., by Oracle;
- 26 G. Enter an injunction preventing Oracle from engaging in the Audit, Bargain, Close
27 pattern of conduct or any related unlawful, unfair, or fraudulent activity in violation of
28 California’s Unfair Competition Law, Business & Professions Code §§ 17200, et seq.;

- 1 H. Enter an injunction instructing Oracle to abide by and honor the terms of the
2 Embedded Software License it granted to NECAM for the agreed term of the license;
- 3 I. Enter an injunction preventing Oracle from asserting a violation of Oracle’s Embedded
4 Software License, from demanding any fees or other consideration during an audit,
5 and from terminating the Embedded Software License granted to NECAM based on
6 NECAM’s use of Oracle software as originally disclosed by NECAM on Oracle’s
7 Embedded Software License Application Package Registration Form;
- 8 J. Enter judgment for NECAM and against Oracle on NECAM’s Fourth Counterclaim
9 for breach of contract by Oracle;
- 10 K. Enter judgment for NECAM and against Oracle on NECAM’s Fifth Counterclaim for
11 breach of the implied covenant of good faith and fair dealing;
- 12 L. Enter a judgment for NECAM and against Oracle on NECAM’s Sixth Counterclaim
13 for intentional interference with contractual relations and declare that Oracle’s
14 intentional conduct interfere, and will continue to interfere, with NECAM’s
15 contractual relations;
- 16 M. Enter an injunction preventing Oracle from engaging in the conduct intended to
17 interfere with NECAM’s contractual relations;
- 18 N. Enter an award for economic and consequential damages in an amount to be
19 determined according to proof;
- 20 O. Enter an award for punitive damages against Oracle in an amount to be determined by
21 the Court according to proof;
- 22 P. Enter an award for post-judgment interest for the maximum amount allowed by law;
- 23 Q. Enter an award to NECAM for its attorneys’ fees, costs, and expenses under 17 U.S.C.
24 § 505 or other authority as applicable; and
- 25 R. Grant to NECAM all further relief as the Court may deem proper and equitable under
26 the circumstances.
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JURY DEMAND

Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Defendant and Counterclaim Plaintiff NECAM hereby demands trial by jury of all issues so triable.

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2 Date: September 1, 2021

Respectfully submitted,

3 /s/ Kristoffer Leftwich

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23 Plaintiff NEC Corporation of America

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CERTIFICATE OF SERVICE

I hereby certify that on September 1, 2021, that the foregoing document was filed with the Court's CM/ECF system which will provide notice to all counsel deemed to have consented to electronic service. All other counsel of record not deemed to have consented to electronic service were served with a true and correct copy of the foregoing document by electronic mail on this day.

/s/ Kristoffer Leftwich