

**Appeal No. 08-4217**

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**IN THE  
UNITED STATES COURT OF APPEALS  
FOR THE TENTH CIRCUIT**

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**THE SCO GROUP, INC.,**

*Plaintiff-Appellant,*

vs.

**NOVELL, INC.,**

*Defendant-Appellee.*

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**On Appeal from the United States District Court  
for the District of Utah  
The Honorable Dale A. Kimball, Judge Presiding  
(Case No. 2:04-CV-00139-DAK)**

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**APPELLEE NOVELL, INC.'S PETITION FOR REHEARING  
AND REHEARING EN BANC**

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## INTRODUCTION

Congress revised the Copyright Act in 1976 with the “paramount goal” of “enhancing predictability and certainty of copyright ownership.” *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 749 (1989), citing H.R. Rep. No. 94-1476 (1976). Section 204(a), as revised in 1976, provides that: “A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance or a note or memorandum of transfer, is in writing and signed by the owner of the rights conveyed or such owner’s duly authorized agent.” 17 U.S.C. § 204(a).

Section 204(a) promotes “predictability and certainty” by requiring that any transfer of copyright ownership be specified in a document that will survive long after memories have faded and witnesses have become unavailable. Written documentation is crucial because copyrights are intangible property rights that survive for 70 years after the death of the original author. Clear identification of the property transferred is important not only to the immediate parties and their successors, but also to third parties, including copyright mortgagees and other secured lenders, who must know what specific work lies at the root of a particular chain of title.

This case raises a question of exceptional importance regarding the interpretation of the Copyright Act: Does Section 204(a) require a writing that specifies the subject matter and essential terms of the copyright transfer with reasonable certainty, as held by courts in the Ninth Circuit and supported by the decisions of other federal and state courts?

The opinion of the Panel in this case, designated for publication, holds that a writing is sufficient if it merely shows an intent to transfer *some* copyrights, even if the *identity* of the copyrights is unclear. On that basis, the Panel reversed summary judgment for Defendant Novell and remanded for trial to determine which copyrights, if any, were transferred. The Panel decision, which will become the law of this Circuit if not revised on rehearing, would require a trial whenever a party can show some evidence of intent to transfer copyright ownership, even though, as here, *there is no basis in the alleged instrument of transfer to determine with reasonable certainty which, if any, copyrights were to be transferred.*

This Court should grant this petition to consider whether the Panel Opinion properly interprets Section 204(a) in light of Congress' declared purpose of enhancing predictability and certainty of copyright ownership, or whether this Circuit should instead join other courts in holding that Section 204(a) requires a written instrument of conveyance or memorandum of transfer that specifies the subject matter and essential terms of the transfer with reasonable certainty. The Panel Opinion is contrary to the legislative intent and the weight of authority, and errs in reversing summary judgment for Novell and remanding for trial even under the Panel's interpretation of Section 204(a).

### **BACKGROUND FACTS AND PROCEDURAL HISTORY**

This case concerns a 1995 Asset Purchase Agreement (the "APA") between Defendant Novell and The Santa Cruz Operation, Inc. ("Santa Cruz"), the predecessor-in-interest to Plaintiff SCO Group, Inc. ("SCO"). In the APA, Novell

agreed to sell to Santa Cruz certain assets related to the UNIX System V operating system but retained significant related assets. (Panel Op. at 3-4; 11985-96.)<sup>1</sup>

When SCO acquired Santa Cruz in 2001, SCO announced that it would use its UNIX assets to promote the Linux operating system. (06658, 06650.) But two years later, in 2003, SCO sued IBM and sent threatening letters to Novell and hundreds of other Linux users, claiming that Linux infringed SCO's alleged UNIX copyrights. (05808-12, 00871-72, 01908-09, 06955.) When Novell replied that it had retained ownership of the Unix copyrights, SCO brought this action against Novell for "slandering" SCO's alleged title in the copyrights. (Panel Op. at 7.)

The district court granted summary judgment for Novell on the basis, among others, that Novell had retained ownership of the copyrights. The court found that (1) the plain language of the APA as executed in September of 1995 excluded "all copyrights" from the assets to be transferred at the Closing; (2) the Bill of Sale, which implemented the APA by transferring assets in December 1995, therefore did not transfer copyrights; and (3) "Amendment No. 2" to the APA, executed in October 1996, also did not transfer the copyrights. (12033, 12041-42, 12081-82.)

The district court held that Amendment No. 2 did not transfer the UNIX copyrights for three separate reasons: (1) it did not meet the Copyright Act requirements for transferring copyright ownership; (2) no admissible extrinsic evidence showed that Amendment No. 2 was intended to transfer copyright

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<sup>1</sup> Citations to five-digit numbers are to the Appendix for this appeal. "Panel Op." refers to the Panel Opinion in this case.

ownership; and (3) SCO presented no evidence that Santa Cruz required copyright ownership to exercise its rights with respect to the UNIX technology. (12041-44.)

The Panel agreed with the district court that the APA as executed in 1995 did not transfer the copyrights at issue. (Panel Op. at 14 (“If we were to interpret the contract based initially only on the APA itself—without regard to Amendment No. 2—we agree that its language unambiguously excludes the transfer of copyrights”).) The Panel held, however, that “the APA, as revised by Amendment No. 2, satisfied the Copyright Act’s writing requirement.” (*Id.* at 24.) At the same time, the Panel concluded that Amendment No. 2 was ambiguous, and remanded for trial to resolve based on extrinsic evidence which copyrights, if any, were transferred by Amendment No. 2. (*Id.* at 25-35.)

As the Panel noted, the original APA, executed in September of 1995, “unambiguously” excluded the transfer of copyrights, by listing “all copyrights” in an attached schedule of “excluded assets.” (*Id.* at 14-15; 00264-65, 00318.) At the Closing on December 6, 1995, the parties signed Amendment No. 1, which modified the included and excluded asset schedules, but left intact the exclusion of “all copyrights.” (00361-63.) On the same date, Novell executed a “Bill of Sale” that transferred the “Assets” as defined in the APA and Amendment No. 1, and thus excluded “all copyrights.” (05602.)

The first draft of Amendment No. 2, proposed by Santa Cruz in 2006, would have *removed* copyrights that pertain to “UNIX and UnixWare” from the “Excluded Asset” Schedule 1.1(b) and would have stated that these copyrights

were “acquired hereunder” by Santa Cruz. It would have amended Schedule 1.1(b) to exclude:

*All copyrights and trademarks, except for the copyrights and trademarks owned by Novell as of the date of this Amendment, which pertain to the UNIX and UnixWare technologies and which SCO has acquired hereunder. . . .*

(06070 (emphasis added); 06064 ¶ 8.) Novell rejected this proposal, stating that Novell would confirm Santa Cruz’s right to use Novell’s copyrighted UNIX and UnixWare products, but “was not going to transfer ownership of any copyrights to Santa Cruz through Amendment No. 2.” (06064 ¶ 10.)

The final, executed Amendment No. 2 deleted any reference to “UNIX and UnixWare” copyrights that Santa Cruz “has acquired.” (06065 ¶ 11.) Instead, the final Amendment No. 2 revised the Excluded Asset Schedule 1.1(b), “[a]s of the 16th day of October 1996,” to include:

*All copyrights and trademarks, except for the copyrights and trademarks owned by Novell as of the date of the Agreement required for SCO to exercise its rights with respect to the acquisition of the UNIX and UnixWare technologies.*

(00374.) Amendment No. 2 did not specify which copyrights, if any, were “required” for SCO to exercise its rights. It also did not call for a bill of sale, and Novell did not execute a bill of sale on signing Amendment No. 2 or thereafter. (06066 ¶ 17.)

In holding that Amendment No. 2 did not meet the Copyright Act requirements for transferring copyright ownership, the district court found, first of all, that “Amendment No. 2 does not include any provision that purports to transfer ownership of copyrights.” (12041.) The court noted that Amendment No. 2 did

not add copyrights to the schedule of included assets, was not accompanied by a bill of sale transferring assets, and did not purport to amend the December 1995 Bill of Sale. (*Id.*) The court also noted that Amendment No. 2 stated that it amended the APA “[a]s of the 16th day of October, 1996,” and thus “did not retroactively cause the Bill of Sale to transfer copyrights that were expressly excluded from transfer by the APA and Amendment No. 1.” (*Id.*)

Secondly, the district court held that Amendment No. 2 did not have the specificity necessary to meet the Copyright Act’s requirement for a written conveyance of copyright ownership:

Also, significantly, Amendment No. 2 did not identify which copyrights, if any, were “required for SCO to exercise its rights with respect to the acquisition of UNIX and UnixWare technologies.” The written instrument required by Section 204 should contain sufficient information “to serve as a guidepost for the parties to resolve their disputes.” *Konigsberg Int’l [v. Rice]*, 16 F.3d [355, 357 (9th Cir. 1994)]. Amendment No. 2 does not meet these standards.

(*Id.*)

On appeal, the Panel acknowledged that “some courts” “have found that a writing is insufficient to transfer copyrights unless (1) it reasonably identifies the subject matter of the agreement, (2) is sufficient to indicate that the parties have come to an agreement, and (3) states with reasonable certainty the essential terms of the agreement.” (Panel Op. at 19 (citing *Pamfiloff v. Giant Records, Inc.*, 794 F. Supp. 933, 936 (N.D. Cal. 1992).)

However, in holding that the APA as amended by Amendment No. 2 satisfied the Copyright Act’s writing requirement, the Panel rejected this authority,

concluding that “Section 204’s writing requirement is best understood as a means of ensuring that parties intend to transfer copyrights themselves, as opposed to other categories of rights.” (Panel Op. at 20-21.) The Panel stated that “when it is clear that the parties contemplated that copyrights transfer, we do not think that a linguistic ambiguity concerning which particular copyrights transferred creates an insuperable barrier invalidating the transaction.” (*Id.* at 21.) The Panel also “reject[ed] the significance that the district court attributed to the fact that Amendment No. 2 revised the APA ‘[a]s of the 16th day of October, 1996’ as opposed to the date of the Bill of Sale,” on the ground that “the absence of a Bill of Sale” was not “fatal” because a “note or memorandum of the transfer” is sufficient under Section 204. (*Id.* at 23-24.)

The Panel acknowledged “the difficulties that follow when the resolution of ambiguous language in a ten-year-old contract is left to trial.” (*Id.* at 26.) Nonetheless, it remanded for trial for a determination based on extrinsic evidence “whether at least some UNIX copyrights were required for [Santa Cruz] to exercise its rights under the [APA],” and therefore transferred by the APA as amended by Amendment No. 2. (*Id.* at 33.)

## **ARGUMENT**

### **I. THIS CASE PRESENTS AN ISSUE OF EXCEPTIONAL IMPORTANCE REGARDING THE REQUIREMENTS OF FEDERAL LAW FOR TRANSFER OF COPYRIGHTS**

The Panel acknowledges that, in addressing an issue not previously resolved by this Circuit, it diverges from precedent in other circuits over the proper interpretation of the requirements of the Copyright Act for transfer of copyright

ownership. The consequences of that divergence are profound. It will mean that in this Circuit any writing that can be construed as evidencing that “the parties contemplated that copyrights transfer” (*id.* at 21) will meet the requirements of the Copyright Act. The writing need not specify *what* copyright(s) are being transferred or provide the essential *terms* of the transfer. A writing will be deemed a sufficient “instrument of conveyance” or “memorandum of the transfer” without these essential terms, which will then be decided — as in this case — through a trial where conflicting oral testimony and other extrinsic evidence is presented.

This result is contrary to Congress’ “paramount goal” of “enhancing predictability and certainty of copyright ownership.” *Community for Creative Non-Violence*, 490 U.S. at 749; *see also* H.R. Rep. No. 94-1476 (1976) at 124 (“a specific written conveyance would be required in order for a sale of any material object to carry with it a transfer of copyright”). It is also contrary to the well-considered conclusions of courts in other circuits that have required a higher degree of specificity in writings relied on for transfer of copyright ownership.

As noted by Nimmer on Copyright, which is cited and relied on by the Panel, “[t]he Ninth Circuit . . . has made much of the law in this arena.” Nimmer on Copyright, § 10.03. A series of Ninth Circuit cases has applied Section 204(a)’s requirement of a written instrument of conveyance or memorandum of transfer strictly in accord with the Congressional purpose of predictability and certainty. *See Effects Assocs. Inc. v. Cohen*, 908 F.2d 555 (9th Cir. 1990); *Konigsberg Int’l v. Rice*, 16 F.3d 355 (9th Cir. 1994); *Radio Television Espanola S.A. v. New World Entm’t*, 183 F.3d 922 (9th Cir. 1999).

As construed by those cases, Section 204(a) is a substantive prerequisite, not merely an evidentiary rule; a transfer of copyright is simply “not valid” without the required written instrument. *Konigsberg Int’l*, 16 F.3d at 357. To satisfy Section 204(a), the written instrument “doesn’t have to be the Magna Charta; a one-line pro forma statement will do.” *Effects Assocs.*, 908 F.2d at 557. But it must be specific enough to “force[] a party who wants to use the copyrighted work to negotiate with the creator to determine *precisely what rights are being transferred.*” *Konigsberg Int’l*, 16 F.3d at 357 (emphasis added). The writing must be sufficiently “clear and definite” that the “property will be readily marketable.” *Id.* It must contain sufficient information to “serve as a guidepost for the parties to resolve their disputes,” such that the “parties *need only look to the writing* that sets out their respective rights.” *Id.* (emphasis added).

As articulated by one case, applying these principles and looking to the statute of frauds by analogy, the written instrument required by Section 204 must “(1) reasonably identify the subject matter of the agreement, (2) be sufficient to indicate the parties have come to an agreement, and (3) state with reasonable certainty the essential terms of the agreement.” *Pamfiloff*, 794 F. Supp. at 936-37.

The reasoning of these cases has also been followed outside of the Ninth Circuit in recent cases. For example, relying extensively on *Effects Assocs.*, *supra*, *Konigsberg*, *supra*, and *Radio Television Espanola*, *supra*, the Fifth Circuit in *Lyrick Studios, Inc. v. Big Idea Prods., Inc.*, 420 F.3d 388, 391-96 (5th Cir. 2005) reversed a jury verdict on the basis that the writings at issue were insufficient as a matter of law to meet the requirements of Section 204(a).

District courts in the First Circuit have also followed the reasoning of the leading Ninth Circuit cases. Relying on *Konigsberg, Intl, supra*, and *Pamfiloff, supra*, the court in *Foraste v. Brown Univ.*, 290 F. Supp. 2d 234, 239-40 (D.R.I. 2003) found no valid Section 204(a) transfer and granted summary judgment because the writings at issue showed “utter absence of precision regarding the rights to be transferred” and “no evidence of a . . . ‘meeting of the minds.’” *See also Saenger Org., Inc. v. Nationwide Ins. Lic. Assocs., Inc.*, 864 F. Supp. 246, 250 (D. Mass. 1994) (citing *Pamfiloff, supra*, and approving a rigorous standard for Section 204(a) transfers).

Also citing the Ninth Circuit cases, a district court in the Eighth Circuit recently summarized the purposes of Section 204(a) as follows:

The writing requirement serves several purposes. First, it ensures that a copyright will not be inadvertently transferred. Second, it “forces a party who wants to use the copyrighted work to negotiate with the creator to determine precisely what rights are being transferred and at what price.” Third, it provides a guide for resolving disputes; the parties can look to the writing to determine whether a use is improper. In these ways, the writing requirement “enhances predictability and certainty of copyright ownership – ‘Congress’ paramount goal’ when it revised the [Copyright] Act in 1976.”

*American Plastic Equip., Inc. v. Toytrackerz, LLC*, No. 07-2253, 2009 U.S. Dist. LEXIS 27787, at \*16-17 (D. Kan. Mar. 31, 2009). Applying those principles, the court found the writings offered by the plaintiff insufficient as a matter of law to meet the requirements of the Copyright Act and granted summary judgment to the defendant on the plaintiff’s copyright infringement claims.

In a decision issued after briefing and argument was complete in this case, the Supreme Court of Indiana also followed the Ninth Circuit line of cases. *See Conwell v. Gray Loon Outdoor Mktg. Group*, 906 N.E.2d 805, 815-16 (Ind. 2009). Citing *Pamfiloff, supra*, the court held that “[a] signed contract making no reference to ownership and lacking essential terms is inadequate as a memorandum of transfer.” *Id.* at 816. Affirming judgment as a matter of law, the court held that the language of an accepted written proposal asserted as the basis for transfer of copyright ownership did “not carry the weight and certainty required by the Copyright Act.” *Id.*; *see also Morgan v. Hawthorne*, No. 04-1809, 2009 U.S. Dist. LEXIS 31456 (W.D. Pa. Apr. 14, 2009) (citing *Effects Assocs.* and *Radio Television Espanola*, and emphasizing need for clarity in transfer document).

Relying primarily on authority from the Second and Seventh Circuits, the Panel in this case acknowledges but rejects the standard articulated in the Ninth Circuit line of cases and followed elsewhere. The panel opinion asserts that “it is hardly clear that imposing strict requirements of clarity in order to effect a copyright transfer will always aid ‘predictability and certainty of copyright ownership.’” (Panel Op. at 19.) It reasons that “[i]f every copyright transaction were vulnerable to challenge whenever a party is able to point out some ambiguity within the governing agreement, parties might be forced to engage in costly, protracted litigation to determine whether the transfer is valid, putting into doubt the proper holder of the copyright.” (*Id.* at 19-20.)

But this case demonstrates the opposite. Applying the standard developed in the Ninth Circuit line of cases, the district court correctly held as a matter of law

that the APA, even as amended by Amendment No. 2, did not have the required specificity to be a valid instrument of conveyance. It therefore was able to resolve the issue of copyright ownership on summary judgment. On the other hand, under the rule articulated by the panel decision, an ambiguous or incomplete writing that does not meet that standard can nonetheless raise a triable issue of fact — as the Panel held here — resulting in exactly the kind of “costly, protracted litigation to determine whether the transfer is valid” that the panel opinion purports to eschew.

The Panel also relies on Nimmer on Copyright for the proposition that ambiguities in copyright grants are common and presumably, therefore, are not grounds for finding them invalid. (Panel Op. at 19-20 (citing Nimmer, *supra*, at § 10.08).) But the same treatise notes that, in addition to “refer[ring] to the domain of copyright ownership,” a writing to be valid under the Copyright Act “also must rise above vagueness to clue the reader into its desired intent.” Nimmer, *supra*, at § 10.03; *see also* Jay Dratler & Stephen McJohn, *Intellectual Property Law: Commercial Creative and Industrial Property* § 6.03 (2009) (“writing must be sufficient to show the existence and principal terms of the transactions”).

Before going down the route charted by the Panel, this Court should consider on rehearing the proper interpretation of the Copyright Act’s transfer requirements in light of the important congressional purpose of promoting predictability and certainty in copyright ownership, and the weight of authority in other circuits. The Panel acknowledges the difficulties that will result from leaving for resolution at trial the interpretation of an alleged transfer agreement that was signed 13 years ago. (Panel Op. at 26.) That difficulty is inherent in copyright,

which is typically enforceable for a century or more.<sup>2</sup> The principles of specificity adopted by courts in other circuits, but rejected by the Panel here, would avoid that difficulty and the uncertainty, lack of predictability, and protracted litigation that will otherwise result in this and similar cases.

**II. APPLYING THE INTERPRETATION OF SECTION 204(a) OF THE COPYRIGHT ACT THAT COMPORTS WITH CONGRESSIONAL PURPOSE AND LEADING CASE LAW, THE DISTRICT COURT CORRECTLY HELD AS A MATTER OF LAW THAT THERE WAS NO VALID TRANSFER OF COPYRIGHTS**

As tacitly acknowledged by the Panel, the APA as amended by Amendment No. 2 did not meet the specificity requirements articulated in the Ninth Circuit line of cases. In particular, Amendment No. 2's reference to copyrights "required for SCO to exercise its rights with respect to the acquisition of UNIX and UnixWare technologies" did not "reasonably identify the subject matter of the agreement," *Pamfiloff*, 794 F. Supp. at 936, or identify "precisely what rights [were] being transferred" such that the "parties need only look to the writing that sets out their respective rights." *Konigsberg*, 16 F.3d at 357.

The district court correctly held that the APA as amended by Amendment No. 2 failed to comply with Section 204(a) as a matter of law because Amendment No. 2's reference to "required" copyrights did not specify which copyrights, if any, were being transferred. Indeed, the Panel acknowledged that "[t]he parties each

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<sup>2</sup> Under the current version of the Copyright Act, the duration of copyright protection is the author's lifetime plus a term of 70 years. 17 U.S.C. § 302(a). For anonymous works, pseudonymous works, and works made for hire, copyright protection endures for a term of 95 years from first publication, or a term of 120 years from the year of its creation, whichever expires first. 17 U.S.C. § 302(c).

argue for plausible, but diametrically opposed interpretations, of the word ‘required,’” and that “Novell has powerful arguments to support its version of the transaction.” (Panel Op. at 32, 25.) As the district court found, Santa Cruz did not “require” transfer of the copyrights since “[t]he APA conferred an implied license on Santa Cruz to use Novell’s copyrights as needed to implement the purposes of the APA.” (12043.)

As was true of the writings at issue in *Foraste*, the APA as amended by Amendment No. 2 has an “utter absence of precision regarding the rights to be transferred” and “no evidence of a... ‘meeting of the minds.’” 290 F. Supp. 2d at 239-40. Therefore, under the principles in the leading Ninth Circuit cases and followed by other courts, Amendment No. 2 was not a sufficient writing to provide the certainty and predictability of ownership required by Section 204(a) of the Copyright Act.

### **III. EVEN UNDER THE PANEL’S INTERPRETATION OF SECTION 204(a) OF THE COPYRIGHT ACT, THERE IS NO TRIABLE ISSUE REGARDING TRANSFER OF COPYRIGHTS**

Even under the interpretation adopted by the Panel, a writing must make “clear that the parties contemplated that copyrights transfer” (Panel Op. at 21) in order to be a valid written instrument of conveyance or memorandum of transfer under Section 204(a). The panel decision errs in concluding that the APA as amended by Amendment No. 2 meets even that minimal standard.

As the district court found, “Amendment No. 2 does not include any provision that purports to transfer ownership of copyrights.” (12041.) It does not state that copyrights “are hereby transferred,” “have been transferred,” or even

“will be transferred.” Rather, it merely revises the “Intellectual Property” category of “Excluded Assets” under Schedule 1.1(b). (*Id.*; 00374.)

The only document that effected a transfer of assets between the parties was the Bill of Sale, which was executed at the Closing on December 6, 1995. As the district court found, “Amendment No. 2 was not accompanied by a separate ‘Bill of Sale’ transferring any assets” and did not “purport to retroactively change the scope of assets transferred by the Bill of Sale that was executed in connection with the APA in December 1995.” (12041.) Indeed, Amendment No. 2 stated that it “amended” the APA only “[a]s of the 16th day of October, 1996,” ten months *after* the December 1995 Bill of Sale. (*Id.*; 00374.)

The panel decision dismisses these omissions with the assertion that “[t]he Copyright Act does not require its writing requirement be fulfilled concurrently with the production of a Bill of Sale.” (Panel Op. at 24.) This misses the point of the district court’s holding. Amendment No. 2 makes no reference to transfer of copyrights and fails to amend the only transfer document executed by the parties, the December 1995 Bill of Sale. Therefore, there is no writing — whether executed “concurrently” or later — that makes “clear that the parties contemplated that copyrights transfer,” as required by the panel opinion. (Panel Op. at 21.) Therefore, even under the interpretation of Section 204(a) adopted by the panel, the panel erred in reversing summary judgment for Novell and remanding for trial.

### **CONCLUSION**

For all of the above reasons, the Court should grant Novell’s petition for rehearing and set this case for rehearing en banc.

Respectfully submitted on this 8th day of September, 2009.

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**CERTIFICATE OF SERVICE**

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