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IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH, CENTRAL DIVISION

THE SCO GROUP,)) MEMORANDUM IN SUPPORT OF) MOTION TO DISMISS OR) TO STAY COUNT TEN
Plaintiff,	OF PLAINTIFF IBM'S
	SECOND AMENDED COUNTER-
) CLAIMS AGAINST SCO
v. INTERNATIONAL BUSINESS) Case No. 2:03CV0294 DAK
MACHINES CORPORATION,	Hon. Dale A. Kimball
Defendant.) Magistrate Judge Brooke Wells)

Plaintiff/Counter-Defendant The SCO Group, Inc. ("SCO"), by and through undersigned counsel, hereby submits its Memorandum in Support of its Motion to Dismiss or Stay Count Ten of Counter-Plaintiff IBM's Second Amended Counterclaims Against SCO.

INTRODUCTION

On March 29, 2004, Defendant/Counter-Plaintiff International Business Machines Corp. ("IBM") filed its "Second Amended Counterclaims Against SCO." In Count Ten of that pleading, IBM added an entirely new claim seeking a declaratory judgment "that IBM does not infringe, induce infringement of, or contribute to the infringement of any SCO copyright through its Linux activities, including its use, reproduction and improvement of Linux, and that some or all of SCO's purported copyrights in UNIX are invalid and unenforceable." ¶ 173. In other words, IBM is seeking to declare that a person or entity using Linux does not infringe upon SCO's copyrights and that some or all of SCO's copyrights are invalid or unenforceable. This precise issue will be litigated in a case filed by SCO against AutoZone in federal district court in Nevada; a case filed prior to IBM filing its Tenth Counterclaim. See The SCO Group Inc. v. AutoZone, Inc., Case No. CV-S-04-0237-DWH-LRL (D. Nev. 2004). This newly added counterclaim raises issues separate and apart from the primary breach of contract and other direct claims and counterclaims in this case. Given this fact, and to avoid multiple suits determining substantially similar issues, this Court should decline to exercise jurisdiction over and dismiss Counterclaim Ten. In the alternative, Counterclaim Ten should be stayed pending the outcome in the prior filed AutoZone case.

¹ These copyright claims, likewise, have nothing to do with the patent counterclaims, which are separate and apart from all other claims in the case and therefore are the subject of a pending motion for separate trial.

ARGUMENT

The federal declaratory judgment statute provides "[i]n a case of actual controversy within its jurisdiction . . . any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration." 28 U.S.C. § 2201. While this statute vests the federal courts with power and competence to issue a declaration of rights, see Public Affairs Assocs., Inc. v. Rickover, 369 U.S. 111, 112 (1962) (per curiam), the question of whether this power should be exercised in a particular case is vested in the sound discretion of the district courts. Id; see also St. Paul Fire and Marine Ins. Co. v. Runyon, 53 F. 3d 1167, 1168 (10th Cir. 1995); Sierra Club v. Yeutter, 911 F.2d 1405, 1420 n. 8 (10th Cir. 1990). Stated differently, "[t]he Declaratory Judgment Act was an authorization, not a command. It gave federal courts competence to make a declaration of rights; it did not impose a duty to do so." Public Affair Assoc. v. Rickover, 369 U.S. 111, 112 (1962). Accordingly, any review of this Court's decision to abstain from exercising federal declaratory judgment jurisdiction is limited to deciding whether the court abused its discretion. Runyon, 53 F. 3d at 1168.

Count Ten Raises Issues That Are Not At Issue Here And That Are Redundant of Those Presented In A Prior Filed Action and Therefore Should be Dismissed or Stayed.

The only copyright claim SCO has asserted against IBM is primarily for IBM's continuing use of AIX and Dynix after SCO terminated IBM's UNIX licenses. See Second Amended Complaint, Count V. The Second Amended Complaint, however, does not contain a claim against IBM for copyright infringement arising out of its use, reproduction or improvement of Linux. With SCO's Second Amended Complaint being the final amendment and not containing a claim for infringement arising out of IBM's Linux activities, the need for IBM's Tenth Counterclaim seeking such a declaratory judgment is nil.

Although SCO has not sued IBM for copyright infringement arising out of "IBM's use, reproduction and improvement of Linux" (¶171), IBM's Tenth Counterclaim nonetheless seeks a "Declaratory Judgment of Noninfringement of Copyright" arising out of IBM's Linux activities. (¶173). However, as IBM acknowledges in its counterclaim, SCO filed an earlier copyright action arising from another company's similar act of using Linux. (¶¶ 79-80). This earlier filed copyright claim by SCO against another user of Linux implicates the same question presented by IBM's counterclaim: Whether Linux infringes SCO's copyrights? Indeed, as detailed below, that case also will determine the enforceability of SCO's claims of infringement arising from the use of Linux, including the enforceability of SCO's copyrights. Moreover, the precise issue of copyright infringement arising from the use of Linux is the sole issue in that case, unlike here, where there exist many complex claims. Under these circumstances, this Court should dismiss or stay Count Ten of IBM's Second Amended Counterclaims.

In the AutoZone case referred to in IBM's Second Amended Counterclaims, the issues of whether the use and reproduction of Linux infringes SCO's copyrights is squarely at issue. A copy of the Complaint in that action is attached as Exhibit A (of which this Court can take judicial notice).² In that case, SCO has alleged that AutoZone "has infringed and will continue to infringe SCO's copyrights in and relating to Copyrighted Materials by using, copying, modifying, and/or

Federal Rule of Evidence 201; see also St. Louis Baptist Temple, Inc. v. F.D.I.C., 605 F.2d 1169, 1172 (10th Cir. 1979) (holding that federal courts may take notice of proceedings in other courts, both within and outside of the federal judicial district if those proceedings have a direct relation to matters at issue). In addition, because IBM relied upon the AutoZone filing in the Second Amended Counterclaim, this Court may properly consider that Complaint filed in AutoZone in ruling on the motion to dismiss. GFF Corp. v. Associated Wholesale Grocers, Inc., 130 F.3d 1381, 1384 (10th Cir. 1997) (stating, "[I]f a plaintiff does not incorporate by reference or attach a document to its complaint, but the document is referred to in the complaint and is central to the plaintiff's claim, a defendant may submit an indisputably authentic copy to the court to be considered on a motion to dismiss.").

Materials in connection with its implementations of one or more versions of the Linux operating system, inconsistent with SCO's exclusive rights under the Copyright Act." AutoZone Complaint, ¶21. Thus, in defending against a claim of infringement based on its use of Linux, AutoZone will be litigating the same issues that IBM seeks to inject in this case through Count Ten.³

Determining in this case the enforceability of SCO's copyrights and whether Linux infringes SCO's copyrights at the same time the issue is being litigated in the federal court in Nevada would entail unnecessary duplication of judicial efforts and run the risk of varying adjudications. With an actual case or controversy regarding whether Linux infringes upon SCO's copyrights pending in another courthouse, this Court should dismiss Count Ten or stay it until the Nevada court has resolved the issue of whether use of Linux infringes SCO's copyrights. Certainly, two federal courts should not simultaneously be determining whether the same copyrights are infringed. This is precisely why federal courts, as noted above, have discretion to entertain declaratory judgment requests. Here, with the plethora of complex issues already pending in this action, this Court should exercise its discretion on this declaratory judgment claim and dismiss Count Ten.

If this Court is inclined to retain jurisdiction over Count Ten, then it should stay the action pending the outcome of the previously filed Nevada action. The stay that SCO seeks here is

³ The only issue that arguably would not be decided by the federal court in Nevada is whether IBM's improvements to Linux infringe upon SCO's copyrights. If this Count Ten was merely based on infringement arising from IBM's improvements to Linux, then SCO would not have sought dismissal or a stay. In fact, the issue of the impropriety of IBM's improvements to Linux is part of the basis for IBM's Ninth Counterclaim, also entitled "Declaratory Judgment of Noninfringement of Copyrights," which arises out of IBM's distribution of AIX and Dynix. (¶ 165). SCO did not move to dismiss or stay that count.

virtually identical to that sought in Apex Hosiery Co. v. Knitting Machines Corp., 90 F. Supp. 763 (D. Del. 1950). In that case, Apex brought suit against Knitting Machines for a declaratory judgment on the validity of certain patents. The federal court noted that there was a prior filed suit already pending against another user of similar machinery where the validity of the patents would be heard. Noting that "the needless and burdensome trouble and expense of litigating two identical suits at the same time and at different places [could] be obviated," the court ruled that the Apex case should be stayed. Id. These same issues appear here and compel that IBM's later filed,

CONCLUSION

Count Ten presents issues already before another federal court, and, on that basis, should be dismissed or, at a minimum stayed pending the outcome of the prior filed *AutoZone* case pending in Nevada.

DATED this 23rd day of April, 2004.

redundant claim be stayed.

Respectfully submitted,

By:

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BOIES, SCHILLER & FLEXNER LLP

Stephen N. Zack

Mark J. Heise

David K. Markarian

Counsel for Plaintiff/Counterclaim defendant

CERTIFICATE OF SERVICE

Plaintiff, The SCO Group, hereby certifies that a true and correct copy of the foregoing was served on Defendant International Business Machines Corporation on this <u>23</u> day of April, 2004, by U.S. mail to:

Evan R. Chesler, Esq.
David Marriott, Esq.
Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019

Donald J. Rosenberg, Esq. 1133 Westchester Avenue White Plains, New York 10604

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15 West South Temple, Ste. 1200
Gateway Tower West
Salt Lake City, Utah 84101-1004

By: Necliha for

EXHIBIT A

i ì 1 __RECEIVED Stanley W. Parry, Esq. ENTERED_SERVED ON 2 State Bar No. 1417 CCLISCIA ATTIES OF RECORD Glenn M. Machado, Esq. 3 State Bar No. 7802 2004 MAR -3 A 9 02 **CURRAN & PARRY** 4 DISTRICT OF NEVADA. 300 South Fourth Street, Suite 1201 Las Vegas, Nevada 89101 5 (702) 471-7000 BY_____OEPUTY 6 Stephen N. Zack, Esq. 7 Mark J. Heise, Esq. Boles, Schiller & Flexner, LLP 8 Bank of America Tower 1000 South East 2nd Street, Suite 2800 9 Miami, Florida 33131 (305) 539-8400 10 UNITED STATES DISTRICT COURT 11 DISTRICT OF NEVADA 12 CURCAN C 1 JAN 1 300 SOUR FOUNTH STREET SOUR FROI LAS VECALS BIDIO (702) 471-7900 THE SCO GROUP, INC., 13 COMPLAINT a Delaware corporation. **JURY DEMAND** 14 Plaintiff, 15 CV-S-04-0237-DWH-LRL AUTOZONE, INC., 16 a Nevada corporation, 17 Defendant. 18 19 COMES NOW, the Plaintiff, The SCO Group, Inc. ("SCO") sues Defendant, AutoZone, Inc., 20 ("AutoZone") and alleges as follows: 21 INTRODUCTION 22 Defendant uses one or more versions of the Linux operating system that infringe on 1. 23 SCO's exclusive rights in its propriety UNIX System V operating system technology. This case 24 seeks relief under the Copyright Act to compensate SCO for damages it has sustained as result 25 of Defendant's infringing uses of SCO's proprietary UNIX System V technology, and to enjoin any 26 further use by Defendant of the protected UNIX System V technology contained in Linux. 27 /// 28

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2. Plaintiff SCO is a Delaware corporation with its principal place of business in Utah County, State of Utah.

- Defendant is a Nevada corporation with its principal place of business in the State 3. of Tennessee.
 - This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331 and 1338. 4.
 - 5. Venue is properly situated in this District pursuant to 28 U.S.C. §§ 1391 and 1400.

BACKGROUND FACTS

- 6. UNIX is a computer software operating system. Operating systems serve as the link between computer hardware and the various software programs (known as applications) that run on the computer. Operating systems allow multiple software programs to run at the same time and generally function as a "traffic control" system for the different software programs that run on a computer.
- 7. In the business-computing environment for the Fortune 1000 and other large corporations (often called the "enterprise computing market"), UNIX is widely used.
- 8. The UNIX operating system was originally developed by AT&T Bell Laboratories ("AT&T"). After successful in-house use of the UNIX software, AT&T began to license UNIX as a commercial product for use in enterprise applications by other large companies.
- 9. Over the years, AT&T Technologies, Inc., a wholly owned subsidiary of AT&T, and its related companies licensed UNIX for widespread enterprise use. Pursuant to a license with AT&T, various companies, including International Business Machines, Hewlett-Packard, Inc., Sun Microsystems, Inc., Silicon Graphics, Inc., and Sequent Computer Systems, became some of the principal United States-based UNIX vendors, among many others.
- 10. These license agreements place restrictions on the valuable intellectual property developed by AT&T, which allow UNIX to be available for use by others while, at the same time, protecting AT&T's (and its successors') rights.

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11. Through a series of corporate acquisitions, SCO presently owns all right, title and interest in and to UNIX and UnixWare operating system source code, software and sublicensing agreements, together with copyrights, additional licensing rights in and to UNIX and UnixWare, and claims against all parties breaching such agreements.

- 12. During the past few years a competing, and free, operating system know as Linux has been transformed from a non-commercial operating system into a powerful general enterprise operating system.
- 13. Linux is in material respects an operating system variant or clone of UNIX System V technology. According to leaders within the Linux community, Linux is not just a "clone," but is intended to displace UNIX System V.

CAUSE OF ACTION (Copyright Infringement)

- 14. Plaintiff repeats and re-alleges all allegations set forth in paragraphs 1 through 13 of this Complaint as though fully set forth herein.
- 15. SCO is the owner of copyright rights to UNIX software, source code, object code, programming tools, documentation related to UNIX operating system technology, and derivative works thereof. These materials are covered by numerous copyright registrations issued by the United States Copyright Office (the "Copyrighted Materials"). Registrations in the Copyrighted Materials have been obtained by SCO and its predecessors in interest and are owned by SCO. Included among such registrations are the following reference materials:

TITLE	REGISTRATION NO.
UNIX SYSTEM V RELEASE 4 Integrated Software Development Guide	TX 2 931-646
UNIX SYSTEM V RELEASE 4 Reference Manual For Intel Processor Commands m-z	TX 3 221-656
UNIX SYSTEM V RELEASE 4 Reference Manual for Intel Processors Commands a-1	TX 3 227-639

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UNIX SYSTEM V RELEASE 4 Device Driver Interface/Driver Kernel Interface Reference Manual for Intel Processors	TX 3 232-578
UNIX SYSTEM V RELEASE 4 Programmer's Guide: Streams for Intel Processors	TX 3 218-286
UNIX SYSTEM V RELEASE 4 Device Driver Interface/Driver Kernel Interface Reference Manual for Motorola Processors	TX 220-500
UNIX SYSTEM V RELEASE 4 Reference Manual for Motorola Processors Commands a-1	TX 3 220-331
UNIX SYSTEM V RELEASE 4 PROGRAMMER'S GUIDE	TX 2 120-502
UNIX SYSTEM V/386 RELEASE 4 Transport Application Interface Guide	TX 2 881-542
UNIX SYSTEM V/386 RELEASE 4 Device Interface/Driver Kernel Interface (DDI/DKI) Reference Manual	TX 2 883-235
UNIX SYSTEM V/386 RELEASE 4 Programmer's Guide: SCSI Driver Interface	TX 2 902-863
UNIX SYSTEM V/386 RELEASE 4 System Administrator's Reference Manual	TX 2 881-543
UNIX SYSTEM V/386 RELEASE 4 Programmer's Reference Manual	TX 2 853-760
UNIX SYSTEM V/386 RELEASE 4 User's Reference Manual	TX 2 890-471
UNIX SYSTEM V/386 RELEASE 4 User's Reference Manual	TX 2 820-791
UNIX SYSTEM V RELEASE 4 Device Driver Interface/Driver Kernel Interface (DDI/DKI) Reference Manual	TX 3 820-792
UNIX SYSTEM V RELEASE 4 Programmer's Guide: Streams	TX 2 833-114
UNIX SYSTEM V RELEASE 4 Programmer's Reference Manual	TX 2 832-009
UNIX SYSTEM V RELEASE 4 System Administrator's Reference Manual	TX 2 830-989
UNIX SYSTEM V/386 Programmer's Guide Vol. II	TX 2 454-884

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- Pursuant to 17 U.S.C. § 410 (c) the Certificates of Copyright Registrations identified 16. above constitutes prima facie evidence of the validity of the copyrights and of the facts stated in the Certificates. SCO's registered copyrights in the Copyrighted Materials as embodied in the above Copyright Registrations are entitled to such statutory presumptions.
- 17. Registrations in the Copyrighted Materials have also been obtained by SCO and its registrations in the following additional registrations of software code:

UNIXWARE 7.1.3	TX 5-787-679
UNIX SYSTEM V RELEASE 3.0	TX 5-750-270
UNIX SYSTEM V RELEASE 3,1	TX 5-750-269
UNIX SYSTEM V RELEASE 3.2	TX 5-750-271

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UNIX SYSTEM V RELEASE 4.0	TX 5-776-217
UNIX SYSTEM V RELEASE 4.1ES	TX 5-705-356
UNIX SYSTEM V RELEASE 4.2	TX 5-762-235
UNIX SYSTEM V RELEASE 4.1	TX 5-762-234
UNIX SYSTEM V RELEASE 3.2	TX 5-750-268

18. SCO and its predecessors in Interest created the Copyrighted Materials as original works of authorship, and, as such, the Copyrighted Materials constitute copyrightable subject matter under the copyright laws of the United States. The Copyrighted Materials were automatically subject to copyright protection under 17 U.S.C. § 102(a) when such programs were fixed in a tangible medium of expression. Copyright protection under 17 U.S.C. §§ 102 and 103 extends to derivative works. Derivative works are defined in 17 U.S.C. § 101 to include works based on the original work or any other form in which the original work may be recast, transformed, modified or adapted.

19. The Copyrighted Materials include protected expression of code, structure, sequence and/or organization in many categories of UNIX System V functionality, including but not limited to the following: System V static shared libraries; System V dynamic shared libraries; System V inter-process communication mechanisms including semaphores, message queues, and shared memory; enhanced reliable signal processing; System V file system switch interface; virtual file system capabilities; process scheduling classes, including real time support; asynchronous input/output; file system quotas; support for Lightweight Processes (kernel threads); user level threads; and loadable kernel modules.

20. On information an belief, parts or all of the Copyrighted Material has been copied or otherwise improperly used as the basis for creation of derivative work software code, included one or more Linux implementations, including Linux versions 2.4 and 2.6, without the permission of SCO.

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21. Defendant has infringed and will continue to infringe SCO's copyrights in and relating to Copyrighted Materials by using, copying, modifying, and/or distributing parts of the Copyrighted Materials, or derivative works based on the Copyrighted Materials in connection with its implementations of one or more versions of the Linux operating system, inconsistent with SCO's exclusive rights under the Copyright Act.

- 22. Defendant does not own the copyright to the Copyrighted Materials nor does it have permission or proper license from SCO to use any part of the Copyrighted Materials as part of a Linux implementation.
- 23. Upon information and belief, Defendant's conduct was and is willfully done with knowledge of SCO's copyrights.
- 24. Plaintiff has no adequate remedy at law. Defendant's conduct has caused, and if not enjoined, will continue to cause, irreparable harm to SCO.
 - 25. As a result of Defendant's wrongful conduct, SCO is entitled to the following relief:
 - Injunctive relief pursuant to 17 U.S.C. § 502 against Defendant's further use
 or copying of any part of the Copyrighted Materials;
 - SCO's actual damages as a result of Defendant's infringement and, to the
 extent applicable and elected by SCO prior to trial pursuant to 17 U.S.C. §
 504, SCO's statutory damages and enhanced damages; and
 - c. Attorney's fees and costs pursuant to 17 U.S.C. § 505.

PRAYER FOR RELIEF

WHEREFORE, having fully set forth its complaint, plaintiff prays for relief from this Court as follows:

 Injunctive relief pursuant to 17 U.S.C. § 502 against Defendant's further use or copying of any part of the Copyrighted Materials;

- SCO's actual damages as a result of Defendant's infringement and, to the extent applicable and elected by SCO prior to trial pursuant to 17 U.S.C. §
 504, SCO's statutory damages and enhanced damages;
- 3. Attorney's fees and costs pursuant to 17 U.S.C. § 505; and
- Pre- and post-judgment interest, and all other legal and equitable relief deemed just and proper by this Court.

JURY DEMAND

Plaintiff demands that all issues in this case be tried by a jury in accordance with the Seventh Amendment to the U.S. Constitution and Rule 38(b) of the Federal Rules of Civil Procedure.

DATED this 2004.

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