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IN THE UNITED STATES DISTRICT COURT

DISTRICT OF UTAH, CENTRAL DIVISION

THE SCO GROUP, INC., a Delaware
corporation,

Plaintiff,

vs.

NOVELL, INC., a Delaware corporation,

Defendant.

Case No. 2:04CV00139

**NOVELL'S REPLY IN SUPPORT OF
PROPOSED JURY INSTRUCTIONS**

Judge Ted Stewart

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Pursuant to the Court's February 4, 2010 Trial Order (Dkt. No.626), Novell submits the following reply addressing SCO's Objections to Novell's Proposed Jury Instructions ("SCO's Obj.") (Dkt. No. 772). Novell's March 5 submission objecting to SCO's Proposed Jury Instructions already addresses, in detail, many of the same arguments SCO raises in its objections. (*See* Novell's Objections to SCO's Proposed Jury Instructions ("Novell's Obj."), Dkt. No. 774.) In the interest of brevity, Novell will not repeat those arguments in this reply, but will address only new points raised by SCO's objections.

NOVELL'S INSTRUCTIONS PROPERLY ADDRESS THE BURDEN OF PROOF

SCO objects to several of Novell's Proposed Instructions on the ground that they set forth the claimant's burden on each element of a slander of title claim in a way that is unnecessary and "unduly prejudicial" to SCO. (*See* SCO's Obj. at 3, 5-6, 8-9.) SCO's objections are groundless.

First, the burden of proof is not the same for each of the elements. The Model Utah Jury Instructions remind the jury of the plaintiff's burden of proof at each element of the claim for slander. (MUJI §§ 10.4, 10.5, 10.6 (1st ed. 1993) (each stating, respectively, "The [first, second, third] essential element of plaintiff's case requires the plaintiff to prove that ..."); *id.* §10.7 ("the plaintiff must prove that the defamatory statement was published with [knowledge of falsity or reckless disregard as to falsity] . . . by clear and convincing evidence ..."); *id.* § 10.12 ("[b]efore any award of punitive damages can be considered, the plaintiff must prove by clear and convincing evidence that ..."). Informing the jury as to what the burden of proof is and who bears that burden are essential to the jury's charge. It is not unduly prejudicial to SCO because both parties have brought claims for slander of title, so each party bears the same burden on its respective claim.

I. NOVELL’S PROPOSED INSTRUCTION NO. 1: SLANDEROUS STATEMENT

SCO objection to this instruction is limited to two of Novell’s proposed sentences:

For the statement to be “slanderous,” it must also be an objective assertion of fact about copyright ownership that is capable of being proven to be true or false. A subjective opinion or inference that is based on true facts is not slanderous.

However, the basis for SCO’s objection is unclear. SCO promises to “explain[] below why the final paragraph of Novell’s proposed instruction is improper,” but no explanation follows.

(SCO’s Obj. at 1-2.) In fact, Novell’s instruction correctly summarizes the law as stated in the authorities cited in Novell’s prior submissions. (Novell’s Proposed Jury Instructions at 3-4, Dkt. No. 740; Novell’s Obj. at 4-5.)

SCO’s only specific objection is that Novell did not include the following language from the Court’s Order on Novell’s Motion in Limine Nos. 5 and 6: “A statement of fact is not shielded from an action for defamation by being prefaced with the words ‘in my opinion’” (SCO’s Obj. at 2.) As discussed in Novell’s objections, this statement is correct but incomplete, since distinguishing opinion from fact is not the relevant legal inquiry under *Milkovich*, the case SCO itself cites in support of its instruction. The critical issue is whether the statement is “susceptible of being proved true or false,” and not whether it begins with “in my opinion.” *Milkovich v. Lorain Journal Co.*, 497 U.S. 1, 21 (1990). (See Novell’s Obj. at 4-5.) Novell’s language accurately reflects this standard. Moreover, adding SCO’s proposed language is unnecessary and would be confusing to the jury, since none of the Novell statements at issue uses the word “opinion,” (or “belief,” which SCO also proposed to add).

II. NOVELL’S PROPOSED INSTRUCTION NO. 2: FALSE STATEMENT/COPYRIGHT OWNERSHIP

SCO objects that this instruction is redundant. As noted above, it is necessary to instruct the jury on the claimant’s burden of proof for each element of slander of title, because they are not all the same. Novell has no objection to an introductory statement along the lines SCO has

proposed in its first paragraph. However, the reference to “false statement” as the “first element” should be taken out. (*See* Novell’s Obj. at 1.)

SCO also objects that Novell’s proposed instruction does not explain what it means for a statement to be “false.” Novell has no objection to the last three paragraphs of SCO’s Proposed Instruction No. 1, defining what “false” means. (*See* Novell’s Obj. at 2.)

III. NOVELL’S PROPOSED INSTRUCTION NO. 3: CONSTITUTIONAL MALICE

SCO objects to three aspects of this instruction.¹ First, SCO claims Novell has omitted the language “serious doubts that the statement was true” from its explanation of “reckless disregard.” (SCO’s Obj. at 5.) Novell does not object to the inclusion of additional language from the Model Jury Instructions. (Novell’s Obj. at 20-22.)

Second, SCO objects that Novell’s instruction is unduly prejudicial because it explains the “clear and convincing evidence” standard. (SCO’s Obj. at 5-6.) The jury needs to be instructed on the meaning of “clear and convincing” proof so they can properly apply the requirement that SCO prove deliberate falsehood or reckless disregard by “clear and convincing” evidence. This is the logical place to do this, since this standard of proof applies to this element. (*See* Novell’s Obj. at 20-22); *see also* Model N.J. Jury Charges Instr.. 3.11A (2002) (instructing the jury that plaintiff bears the burden to prove each element of a public defamation claim, clarifying that this burden is clear and convincing evidence, and explaining what “clear and convincing” evidence means) (attached as Ex. A). There is no prejudice because both parties must prove constitutional malice by clear and convincing evidence.

Third, SCO objects to Novell’s proposed clarification of the meaning of “malice.” SCO does not dispute that the ordinary meaning of the word “malice” may confuse jurors. SCO’s sole

¹ SCO does not object to Novell’s proposal to use “constitutional malice” instead of “actual malice.” Pursuant to the Court’s ruling that constitutional malice applies, Novell requests a change to the parties’ Joint Proposed Instruction No. 1, so that the third element of slander of title is listed as “constitutional malice” rather than “malice.” (Order at 13, Dkt. No. 762.)

ground for its objection is that “the jury will have been instructed on common law malice, which is clearly different from constitutional malice.” (SCO’s Obj. at 6.) This remedy to the potential for juror confusion identified by the Supreme Court is inadequate. (See Novell’s Obj. at 21-22.) For one thing, a standalone instruction on the element of common law malice is no longer necessary, and would be confusing to the jury.² Moreover, even if jurors could infer—based on a definition that appears elsewhere in the instructions—that common law malice is somehow “different from” constitutional malice, this is not enough to minimize the risk of confusion.

IV. NOVELL’S PROPOSED INSTRUCTION NO. 4: SPECIAL DAMAGES

SCO contends that the “substantial factor” test of Restatement (Second) of Torts § 632 applies, but does not cite to a single Utah case in support of its assertion. This is because it cannot. The Utah Supreme Court has held that “slander of title is based on a wrongful act *but for* which the plaintiff would not have had to incur any expense.” *Dowse v. Doris Trust Co.*, 208 P.2d 956, 959 (Utah 1949) (emphasis added). For the sake of argument, even if Utah courts did apply the Restatement to causation of special damages, § 633 of the Restatement (Second) of Torts teaches that the but-for test applies to SCO’s fact pattern. (See Novell Obj. at 30-32 and n. 12.)³ Novell additionally notes that SCO did not object to the following sentence in Novell’s

² SCO continues to advocate for a standalone common law malice instruction titled “The Element of Malice,” apparently now in connection with its proposed privileges instructions, in spite of the Court’s ruling that constitutional malice applies. (SCO’s Obj. at 14; Order at 13, Dkt. No. 762.) To the extent it is necessary to define common law malice, a definition can be incorporated into the Court’s instruction on privileges.

³ As discussed in Novell’s Objections, Restatement (Second) of Torts § 633 explains that “pecuniary loss by affecting the conduct of a number of persons whom the plaintiff is unable to identify” requires plaintiff to show the loss “by eliminating other explanations.” Restatement (Second) of Torts § 633 cmt. h (2010); *see also id.* at § 633 (plaintiff “must establish his case by evidence that some *specific* person was substantially influenced by the publication in refusing to make a purchase *that he otherwise would have made.*”) (emphasis added).

Proposed Instruction No. 6: “To recover damages for lost profits, SCO must prove it is reasonably certain it would have earned profits but for Novell’s conduct.” (*See* SCO Obj. at 16.)

Second, SCO states in its objections that “the legal definition of substantial factor does not differ from the common meaning of that term.” (SCO Obj. at 10, Dkt. No. 772.) This is hardly the case, as the above discussion regarding Restatement (Second) of Torts § 632 and § 633 illustrates. Furthermore, jurisdictions applying the “substantial factor” language clarify for the jury that what is meant by the “substantial factor” language is actually but-for causation. California’s model jury instructions state, “conduct is not a substantial factor in causing harm if the same harm would have occurred without that conduct.” CACI 430 (explaining that “this definition of ‘substantial factor’ subsumes the ‘but for’ test of causation, that is, ‘but for’ the defendant’s conduct, the plaintiff’s harm would not have occurred” and “in some cases, it may be error” not to instruct the jury of this). (*See also* Novell Obj. at 31 (*citing N.Y. Pattern Jury Instr. Civ. 3:55 at 4*.)

Third, SCO objects to the first paragraph of Novell’s instruction, which introduces the concept of special damages and explains that special damages must be proven. This language is based on authority relied on by the Utah Supreme Court in its analysis of special damages. *Bass v. Planned Mgmt. Servs., Inc.*, 761 P.2d 566, 568-69 (Utah 1988) (*citing* J. Pearson, Annotation, *What Constitutes Special Damages in Action for Slander of Title*, 4 A.L.R.4th 532, § 2a (1981) (“The law does not assume that economic damage always occurs as a result of an act slandering one’s title to property. Thus, it is well established that in a slander of title action recovery may be had only for special, as distinguished from general, damages.”)).⁴ Such an explanation will aid the jury.

⁴ The Connecticut Model Jury Instruction on special damages uses very similar language. *Conn. Model Jury Instr.* § 3.11-7 (2008) (“In an action for libel per quod, the law does not presume that the plaintiff sustained injury . . . the plaintiff must prove to you that (he/she) incurred what is

Fourth, SCO has objected without explanation to Novell’s first paragraph, which explains that special damages are “a direct and immediate result” of the slanderous statement. Such language is essential to the definition of special damages. This Court has held that it is also key to the parties’ dispute:

The disagreement here is . . . whether Defendant’s actions were the “direct and immediate” cause of those lost sales and whether those lost sales alleged by Plaintiff are “realized and liquidated”.

(Order on Mot. for Summ. J. at 12, Dkt. No. 621.)

Fifth, SCO repeats its objection that the jury need not be instructed on the burden of proof, and that to do so would be “unduly prejudicial.” As noted above (*supra* n.1 at 1), the Model Utah Jury Instructions and various other model jury instructions clarify that it is the claimant’s burden to prove special damages. Since both parties must prove their own special damages, there is no undue prejudice to SCO.

Sixth, SCO objects to the third paragraph of Novell’s proposed instruction on the ground that it “improperly describes the law,” yet points to no authority to show how so. (SCO Obj. at 8-9.) The first sentence of Novell’s third paragraph is directly based on a holding by the Utah Supreme Court that unless the claimant can prove a specific monetary loss flowing from the slander, there is no damage. *Bass*, 761 P.2d at 568 (“Absent a specific monetary loss flowing from a slander affecting the saleability or use of the property, there is no damage.”). The *Bass* court cited to *Den-Gar Enter. v. Romero* case in its discussion of proof of special damages. *Bass*, 761 P.2d at 568-69 (citing *Den-Gar Enter. v. Romero*, 611 P.2d 1119, 1124 (N.M. Ct. App. 1980)). That case stated, “[i]n a slander of title action, special damages must be shown and the amount thereof must be proven and not merely estimated.” *Den-Gar Enter.*, 611 P.2d at 1124. The second sentence of Novell’s third paragraph is a nearly verbatim quote from *Den Gar*. The

called actual damages, also called special damages, that is an actual injury or loss.”) (attached as Ex. B).

final sentence of Novell's third paragraph is based on this Court's ruling on summary judgment, which states "it is not sufficient to show that the [property's] value has dropped on the market, as this is general damage, not a realized or liquidated loss." (Order at 11-12, Dkt. No. 621 (quoting *Valley Colour, Inc. v. Beuchert Builders, Inc.*, 944 P.2d 361, 364 (Utah 1997))).

Lastly, Novell's instruction that "a decline in stock price is not an appropriate claim for special damages" is based on this Court's ruling on summary judgment. (SCO's Obj. at 8.) SCO's objection that the instruction is unnecessary is disingenuous since SCO's expert witness, Ms. Botosan, will be presenting evidence to the jury of SCO's decline in stock price. Novell's instruction is a necessary statement of the law, lest the jurors confuse special damages for general damages. If SCO's promise that it will not to rely on such evidence for its proof of damages is genuine, then at worst, Novell's instruction will have no effect on the jury's deliberation; at best, it will properly inform the jury of the law.

V. NOVELL'S PROPOSED INSTRUCTION NO. 5: PRIVILEGE

SCO alleges five errors in Novell's proposed instruction no. 5, relating to privilege. In each case, it is SCO's allegation rather than Novell's instruction that is errant.

First, SCO cites *Ferguson v. Williams & Hunt, Inc.*, 221 P.3d 205, 212 (Utah 2009), for the proposition that "the defendant has the burden of proving that the privilege applies." (SCO's Obj. at 12.) But in *Ferguson*, "[t]he trial court determined that Defendants ... had a conditional or qualified privilege in making the defamatory statement," whereupon "the burden ... shifted from defendant to plaintiff." 2009 UT 49, ¶ 20, 221 P.3d at 212. In other words, *Ferguson* confirms what Novell has argued all along: whether a privilege applies is a question of law, for the Court; and if the Court rules that a privilege applies then it is plaintiff's burden to prove, as a

matter of fact, that the privilege was abused. *See also O'Connor v. Burningham*, 2007 UT 58, 165 P.3d 1214, 1224 (Utah 2007).⁵

Second, SCO's contention that Novell's applications for copyright registration are not privileged is wrong, for reasons explained by Novell in its objection to SCO's Instruction No. 8. (*See* Novell's Obj. at 26-27.)

Third, SCO cites *Krouse v. Bower*, 20 P.3d 895, 900 (Utah 2001), for the proposition that in order to satisfy the litigation privilege requirement that the statement have some relation to the lawsuit, the statement must be "designed to try to resolve the ongoing dispute." (SCO's Obj. at 12.) *Krouse* says nothing of the sort. To the contrary, *Krouse* held:

Statements are relevant for purposes of the privilege if they simply have some relationship to the cause or subject matter involved. Plus, because of the important purpose of the privilege, doubts are resolved in favor of the statement having reference to the subject matter of the proceeding.

Krouse, 2001 UT 28, ¶ 12, 20 P.3d at 900 (citations and quotation marks omitted). The litigation privilege "is absolute. It protects a party to a private litigation ... from liability ... irrespective of his purpose in publishing the defamatory matter." *Hansen v. Kohler*, 550 P.2d 186, 190 (Utah 1976) (quoting Restatement (Second) of Torts ["Restatement" or "Rest.,"] § 587 cmt. a).

⁵ More precisely, "the court ... determine[s] whether the circumstances under which the publication was made were such as ... to make the publication privileged," Restatement (Second) of Torts § 619 cmt. a; "the jury determines whether ... (j) facts existed that would constitute an abuse of a conditional privilege"; *id.* § 652(2); and if there is a factual dispute as to what the circumstances were under which the publication was made, the jury also determines that, *id.* § 651(2)(i). *See also id.* § 619 cmt. a ("If the facts are in dispute, the jury is called upon to consider the evidence and pass upon the issues thus raised. It is for the court, however, to decide whether the facts found by the jury made the publication privileged or to instruct the jury as to what facts they must find in order to hold the publication privileged."); *id.* § 652 cmt. a ("The respective functions of court and jury in an action for injurious falsehood are similar to their function in an action for defamation. Therefore the Comments under §§ 614-619 are applicable ... so far as they are pertinent."). Here, because the facts under which the publications were made are not in dispute, "[w]hether a statement is entitled to the protection of a conditional privilege presents a question of law; whether the holder of the privilege lost it due to abuse presents a question of fact." *O'Connor*, 2007 UT 58, ¶ 38, 165 P.3d at 1224.

Fourth, SCO criticizes Novell’s instruction that to demonstrate abuse of the recipient’s interest privilege, SCO must prove that Novell’s statements were made “*solely* out of spite or ill will.” (SCO’s Obj. at 11 (emphasis added).) Neither party has cited a Utah case either embracing or rejecting that exact proposition, but the Restatement teaches:

Thus a publication of defamatory matter upon an occasion giving rise to a privilege, if made solely from spite or ill will, is an abuse and not a use of the privilege. However, if the publication is made for the purpose of protecting the interest in question, the fact that the publication is inspired in part by resentment or indignation at the supposed misconduct of the person defamed does not constitute an abuse of the privilege.

Rest. § 603 cmt. a. And the Utah Supreme Court has characterized the Restatement’s teachings on abuse of privilege as “enjoy[ing] close ties to common sense and ... worthy of our confidence.” *O’Connor*, 2007 UT 58, ¶ 37, 165 P.3d at 1224 (“Although we have not yet had occasion to formally adopt all the potential means to abuse the privilege cited in the Restatement, they all enjoy close ties to common sense and thus appear worthy of our confidence”).

Finally, SCO contends that “the rival claimant’s privilege applies at all only if the defendant has made a statement that would be of service in the lawful protection of an important interest of the defendant’s own.” (SCO’s Obj. at 13.) As Novell noted in its objections, SCO’s proposed instructions conflate distinct privileges. (See Novell’s Obj. at 25-26, 28.) SCO’s objection suffers the same defect: what SCO is characterizing is the publisher’s interest privilege, which Novell does not assert. See *Brehany v. Nordstrom, Inc.*, 812 P.2d 49, 58 (Utah 1991); Restatement (Second) of Torts § 594.⁶

⁶ In view of the Court’s recent ruling that SCO must prove constitutional malice to prevail (Dkt. 762), SCO’s further contention that malice defeats the rival claimant’s privilege is moot because constitutional malice subsumes what both parties agree is an abuse of that privilege, viz., absence of a good faith belief in the truth of the rival claim.

VI. NOVELL'S PROPOSED INSTRUCTION NO. 6: AWARD OF TORT DAMAGES

With regard to Novell's Proposed Instruction No. 6, SCO first complains that "[n]o Utah precedent holds" that SCO must prove either that Novell "acted 'solely' out of spite or ill will" or that, in the case of abuse by excessive publication, only damages arising from the excessive publication are recoverable. (SCO's Obj. at 16.) It may be that no Utah case has so held. But no Utah case has held otherwise, either; and as noted above, the Restatement—whose teachings on abuse of privilege "enjoy close ties to common sense and thus appear worthy of our confidence," *O'Connor*, 2007 UT 58, ¶ 37, 165 P.3d at 1224—clearly teaches both, *see* Restatement (Second) of Torts §§ 603 cmt. a, 604 cmt. c.

SCO next complains of Novell's instruction that the jury should award enough money to "fairly and adequately compensate SCO for that harm." (SCO's Obj. at 17.) That language is taken directly from MUJI 2d CV2001 (2010),⁷ and it is hard to discern any cognizable prejudice arising from the jury being told that their award should be fair, adequate, or compensatory. But if SCO wants the words "fairly and adequately" removed, Novell will so stipulate.

SCO contends that the jury should not be instructed that "SCO is seeking profits and that Novell is not." (SCO's Obj. at 17.) If the Court finds merit in SCO's contention, then Novell's fourth paragraph should be revised to read: "In addition, a party may recover damages in the form of lost profits. To recover lost profits, the party seeking them must prove it is reasonably certain it would have earned profits but for the other party's conduct."

Novell's fifth paragraph, in turn, does not (as SCO contends) simply "repeat[] prior elements." (SCO's Obj. at 17.) To the contrary, this paragraph—and only this paragraph— instructs the jury that if it finds Novell abused the recipient's interest privilege only by excessive

⁷ The sentence concluding the first paragraph of Novell's proposed instruction no. 6, which SCO struck through in its Objections but did not address in its argument, is also taken directly from this instruction. MUJI CV2001 (2d ed. 2010) ("However, if you decide that [name of plaintiff] is not entitled to recover damages, then you must disregard these instructions.").

publication then Novell is responsible only for those damages attributable to the excessive publication. That is a correct statement of law, *see* Restatement (Second) of Torts § 604 cmt. c, and the evidence will show that SCO cannot have been damaged by publication to disinterested recipients (because the only disinterested recipients would be non-Linux users to whom SCO could not have sold any license, in any event). Thus, Novell is entitled to have the jury so instructed. *See Medley v. Polk Co.*, 260 F.3d 1202, 1208 n.10 (10th Cir. 2001) (“A party is entitled to an instruction based on his theory of the case if there is record evidence to support it.”) (citation omitted).⁸

SCO also objects to instructing the jury on how to calculate lost profits, as in Novell’s sixth paragraph; and insists that the jury should be guided entirely by the experts in this regard. (SCO’s Objections at 17-18.) Manifestly, the fact that SCO’s experts will offer *opinions* does not mean the Court should refrain from instructing the jury on the *law*. To the contrary, the jury needs Court instruction on the *law* of lost profits to help them sort through the battle of the experts. MUJI does not have a lost profits instruction, but its California counterpart, Judicial Council of California Civil Jury Instructions (“CACI”) does; and the first sentence of the lost profits calculation paragraph in Novell’s proposed instruction is taken directly from that instruction (CACI 3903N, attached as Ex. C).

The balance of the paragraph explains the proper application of general lost profits principles to slander of title damages. *See Valley Colour, Inc. v. Beuchert Builders, Inc.*, 944 P.2d 361, 364 (Utah 1997) (“Proof of special damages usually involves demonstrating a sale at a

⁸ In view of the Court’s recent ruling that SCO must prove constitutional malice to prevail to establish actionable slander, in the first place, this paragraph should be revised in one respect, as follows (with deletions shown in strikethrough): “If you find that Novell did not publish a slanderous statement ~~with constitutional malice~~ or solely out of spite or ill will but did publish a slanderous statement to persons that did not have a legitimate interest in the statement, then Novell is responsible only for the portion of lost profits that results from publishing the statements to persons that did not have a legitimate interest in the statements.”

reduced price or at greater expense to the seller. It is not sufficient to show that the land's value has dropped on the market, as this is general damage, not a realized or liquidated loss."); *Ostarly v. Johnson*, 700 S.W.2d 643, 644 (Tex. Ct. App. 1985) ("The amount of actual damages incurred, if any, is calculated by subtracting from the price which would have been realized had the sale not been frustrated, the market value of the land at the time of trial with the cloud on the title removed.").

VII. NOVELL'S PROPOSED INSTRUCTION NOS. 7 AND 8: INTERPRETATION OF CONTRACTUAL TERMS AND EXTRINSIC EVIDENCE

The key issue is what role the Tenth Circuit's decision on summary judgment should play in the jury instructions. The extent of the Tenth Circuit's ruling on extrinsic evidence was as follows:

Because what copyrights are "required" for SCO to exercise its rights under the agreement is not clear on its face, California law *allows* courts to consider extrinsic evidence to resolve the ambiguity.

SCO Group Inc. v. Novell, Inc., 578 F.3d 1201, 1210-11 (10th Cir. 2009) (emphasis added) (internal citations omitted). Therefore, the court merely held that the jury is "allowed" to consider extrinsic evidence to decide "what copyrights are 'required'" "for SCO to exercise its rights with respect to the acquisitions of UNIX and UnixWare technologies." *Id.*; see Ex. N8 (Amendment No. 2) at ¶ A. The Tenth Circuit's admissibility ruling does not overturn well-established contract law that interpretation of the contract begins with the contract itself.

SCO's objections to this instruction fail for several reasons. First, contrary to SCO's contention, the jury must start its interpretation of the contract with the actual words the parties used in the contract.

When a dispute arises over the meaning of contract language, the first question to be decided is whether the *language* is "reasonably susceptible" to the interpretation urged by the party. If it is not, the case is over. If the court decides the language is reasonably

susceptible to the interpretation urged, the court moves to the second question: what did the parties intend the *language* to mean?

So. Cal. Edison Co. v. Superior Ct., 37 Cal. App. 4th 839, 847-48 (Cal. Ct. App. 1995)

(emphasis added) (internal citations omitted); (see *Novell Obj.* at 11-12). Indeed, ambiguous or not, “[o]rdinarily it is presumed that the parties read and understood the import of their contract and that they had the intention which its terms manifest.” *Heidlebaugh v. Miller*, 271 P.2d 557, 559 (Cal. Ct. App. 1954) (cited in SCO’s Proposed Jury Instr. at 7, Dkt. No. 743.)⁹ Thus, Novell’s instruction that the “starting point” for the jury’s interpretation of the contract must be the actual words used in the contract is proper and sound.

Second, the Tenth Circuit’s ruling allowed for the consideration of otherwise inadmissible extrinsic evidence in order to interpret the ambiguous language of Amendment No. 2. SCO incorrectly argues that “it is not accurate to say that extrinsic evidence is relevant only if the language of the contract is unambiguous [sic].” Without citing to any part of it, SCO improperly spins the Tenth Circuit’s opinion to contravene established California contract law. In fact, the Tenth Circuit clarified that:

California law does not permit the use of extrinsic evidence to establish an ambiguity in the parties’ intent independent from the terms of the contract; instead, it can only be used to expose or resolve a latent ambiguity in the language of the agreement itself.

SCO Group, 578 F.3d at 1210. Thus, the jury must only consider extrinsic evidence to interpret ambiguous language, as the first paragraph of Novell’s Proposed Instruction 8 explains.

Contrary to SCO’s objections, the jury is not required to disregard the clear language of the contract in favor of extrinsic evidence. As this Court has noted, it is up to the jury to weigh all of the evidence. (See Order at 4, Dkt. No. 763 (“The real evidence in this case is not the summary judgment ruling or the Tenth Circuit’s decision, but the evidence used in making those

⁹ The Court should include such common sense language into its instruction on contract interpretation.

decisions.”).) The jury is allowed to interpret the contract language with the extrinsic evidence and determine for itself what the intended language means. “As trier of fact, it is the jury’s responsibility to resolve any conflict in the extrinsic evidence properly admitted to interpret the language of a contract.” *Morey v. Vanucci*, 64 Cal. App. 4th 904, 913 (Cal. Ct. App. 1998). Indeed the California Model Jury instructions say that the jury *must* decide the intent of the parties, but that in doing so it *may* consider the language of the parties as well as extrinsic evidence. CACI 314.¹⁰

Thus, at most, the Tenth Circuit ruled that extrinsic evidence is appropriate to interpret what is “required” for SCO to exercise its rights in Amendment No. 2. The Tenth Circuit’s finding does not preclude the jury from starting with the language of the contract. It does not even say that the jury must find that the language is ambiguous.¹¹ The jury is not bound to conclude that the language is ambiguous; the Tenth Circuit’s holding just means that the parties are allowed to present extrinsic evidence to the jury. As one court as noted:

While it may be proper to enumerate elements which the jury may consider, an instruction which tells them they ‘must’ or ‘should’ consider is liable to be misleading. * * * On the trial of the case the court should leave the jury perfectly free and untrammelled to pass

¹⁰ Stating in full:

In deciding what the terms of a contract mean, you must decide what the parties intended at the time the contract was created. You may consider the usual and ordinary meaning of the language used in the contract as well as the circumstances surrounding the making of the contract.

¹¹ SCO cites to *Deland v. Old Republic Life Ins. Co.*, 758 F.2d 1331, 1335-36 (9th Cir. 1985) in support of its proposition that the court cannot give an instruction suggesting that the jury may discern the parties’ intent where the court was unable to do so. *Deland* says nothing of the sort. *Deland* was a case involving an insurance contract governed by Alaskan law in which the court provided an incorrect legal standard in the jury instruction. *Id.* (advising the jury incorrectly to apply plaintiff’s subjective understanding of the contract as opposed to what a “reasonable lay person” would expect).

upon the credibility of the witnesses, determining for themselves the weight to be given to the testimony. * * * It is not the province of the court to tell the jury in any case what evidence is the strongest.

Lyons v. Chicago City Ry. Co., 258 Ill. 75, 85-85, 101 N.E 211 (Ill. App. Ct. 1913) (citations omitted). This Court ruled that it was improper to read to the jury the Tenth Circuit’s finding that the APA is unambiguous; it should likewise rule that the Tenth Circuit’s finding that Amendment No. 2 is ambiguous is not a factual finding that binds the jury. (Order at 3, Dkt. No. 763.) That finding was a part of the Tenth Circuit’s reasoning process in overruling summary adjudication of the meaning of the contract.

Third, even when extrinsic evidence is used to interpret ambiguous language, the interpretation must be consistent with the language used in the contract. “Extrinsic evidence is thus admissible to interpret the language of a written instrument, as long as such evidence is not used to give the instrument a meaning to which it is not reasonably susceptible.” *Morey*, 64 Cal. App. 4th at 912 (quoted in SCO Obj. at 19).. In fact,

This principle should not be confused with the dictates of the parol evidence rule . . . [which] generally prohibits the introduction of any extrinsic evidence, whether oral or written, to vary, alter or add to the terms of an integrated written instrument intended by the parties thereto as the final expression of their agreement.

Id. at 912 n. 4.

Lastly, SCO contends that the jury “*must* consider” the parties course of performance, but cites to no authority to support its emphatic position. (SCO Obj. at 24 (emphasis in original).) This is not so. (Order on Mots. In Limine 12 to 19 at 3, Dkt. No. 717 (“The Tenth Circuit further held that course of performance “evidence *may* be used to interpret an ambiguous contractual provision.” (quoting *SCO Group*, 578 F.3d at 1217) (emphasis added).) The jury is entitled to conclude that the parties’ course of performance is irrelevant. (*See* Novell Obj. at 15.)

In sum, SCO's instructions and edits to Novell's proposed instructions are heavy-handed, prejudicial, and legally incorrect.

VIII. NOVELL'S PROPOSED INSTRUCTION NO. 9: UNCLEAN HANDS

SCO objects to Novell's instruction on the ground that it is improper and does not apply. Novell maintains that its unclean hands defense applies, and should be tried, but understands the jury will not be instructed on unclean hands. (Order at 2-3, Dkt. No. 761.) Novell will briefly address SCO's objections here nevertheless.

First, SCO is wrong that Novell's unclean hands defense does not apply to SCO's claim for slander of title because it is not an equitable claim. *See Mendoza v. Ruesga*, 169 Cal. App. 4th 270, 279 (2008) (the doctrine of unclean hands "provides a complete defense to both legal and equitable causes of action.").

Second, SCO's contention that Novell's unclean hands defense cannot apply because "copyright misuse" is a defense to a copyright infringement claim is without merit. An unclean hands defense can be triggered any prior misconduct that is connected to the subject matter of the lawsuit. *Kendall-Jackson Winery, Ltd. v. Superior Court*, 76 Cal. App. 4th 970, 974 (Cal. App. 5th Dist. 1999) ("misconduct . . . connected to the subject matter of the litigation that affects the equitable relations between the litigants is sufficient to trigger the defense."); *Lynn v. Duckel*, 46 Cal. 2d 845, 850 (1956) ("[W]henever a party who, as actor, seeks to set judicial machinery in motion and obtain some remedy, has violated conscience, good faith or other equitable principle in his prior conduct, then the doors of the court will be shut against him *in limine*"). The defense does not fail simply because it is based on misconduct that also constitutes a defense to a separate claim. The UNIX copyrights are indisputably connected to this suit. Therefore, SCO's misconduct in connection with the copyrights may constitute unclean hands.

IX. NOVELL’S PROPOSED INSTRUCTION NO. 10: DEFINITION OF COPYRIGHT

SCO objects that Novell’s instruction defining a copyright is an “inaccurate description of the law” (SCO’s Obj. at 29), in spite of the fact that it is taken directly from the Copyright Act, as incorporated into Model Ninth Circuit Jury Instructions. (See Model Ninth Circuit Jury Instructions §17.1 Copyright Defined (17 U.S.C. § 106), attached as Ex. D.) The Copyright Act provides that there are six exclusive rights, and the right to bring suit to enforce the copyrights is not one of them. 17 U.S.C. § 106. Rather, as Novell’s proposed instruction correctly states, a copyright owner “may enforce these rights to exclude others in an action for copyright infringement.”¹² SCO’s attempt to rewrite the Copyright Act to create a seventh exclusive right should be rejected.

X. NOVELL’S PROPOSED INSTRUCTION NO. 11: DIVISIBILITY OF COPYRIGHT OWNERSHIP

SCO claims this instruction is inaccurate because it conveys that a “non-exclusive licensee is authorized to exercise any of the exclusive rights of copyright ownership.” (SCO’s Obj. at 32.) This objection fails for the same reason noted above with respect to Novell’s Proposed Instruction No. 10, namely: the right to bring suit is not one of the exclusive rights of copyright ownership. 17 U.S.C. §106. Thus, Novell’s instruction accurately states that any of the six exclusive rights may be transferred or licensed, on an exclusive or non-exclusive basis.

SCO argues that an instruction on exclusive licensees is necessary to “clarify the relevant copyright law.” (SCO’s Obj. at 32.) However, SCO’s proposed language from *Silvers v. Sony Pictures Entm’t, Inc.*, 402 F.3d 881, 885 (9th Cir. 2005), *cert. denied*, 546 U.S. 827 is anything but clear. To the extent the Court is inclined to provide further instruction defining an “exclusive

¹² SCO quibbles with the word “may” in this sentence, but there is nothing in the Copyright Act that *requires* an owner to bring suit to enforce its rights.

licensee,” Novell suggests that following from the Ninth Circuit Model Civil Jury Instructions be included after Novell’s proposed language:

A copyright owner may transfer exclusively to another person any of the rights comprised in the copyright. To be valid, the transfer must be in writing. The person to whom this right is transferred is called a licensee.

An exclusive licensee has the rights to exclude others from copying the work to the extent of the rights granted in the license. An exclusive licensee is entitled to bring an action for damages for copyright infringement of the right licensed. A nonexclusive licensee has a right to exclude others who do not have a right to copy the work.

Ninth Circuit Model Civil Jury Instructions, § 17.11 Copyright Interests—Exclusive Licensee (17 U.S.C. § 201(d)(2)), attached as Ex. E.)

XI. NOVELL’S PROPOSED INSTRUCTION NO. 12: TRANSFER IN WRITING

SCO’s argument that Novell’s proposed instruction no. 12 is “precluded” by the Tenth Circuit’s opinion in this case, because it supposedly “suggests that the jury may conclude that the parties did not execute a writing sufficient to transfer copyrights” (SCO’s Objections at 34), misses the mark. The Tenth Circuit’s decision does not write the writing requirement out of the Copyright Act. 17 U.S.C. § 204(a). SCO’s objections to Novell’s instructions on contract interpretation and extrinsic evidence preview SCO’s argument that the jury should disregard the written contracts altogether. This instruction is therefore necessary to keep the jury from being misled into thinking that Novell might have transferred copyrights by something *other* than the writings. The jury will have to decide whether the APA, as amended, transferred copyrights; but it would be contrary to law for the jury to conclude that copyrights were transferred by some other means.¹³

¹³ If the Court incorporates into Novell’s Proposed Instruction No. 11 the Ninth Circuit model instruction suggested in the preceding section, it will not be necessary to have the writing requirement restated in a separate, standalone instruction.

XII. NOVELL’S PROPOSED INSTRUCTION NO. 13: FINDINGS BY THE COURT AND TENTH CIRCUIT

SCO objects to this instruction on the ground that it is improper. Novell maintains that the Court should take judicial notice of these prior findings, and that SCO should be precluded from presenting argument or evidence contrary to factual or legal findings that are binding under the law of the case doctrine. *Joyce v. Simi Valley Unified Sch. Dist.*, 110 Cal. App. 4th 292, 304 (Cal. Ct. App. 2003) (“ [t]he doctrine of law of the case bars [the defendant] from challenging the instruction,” where instruction was based on earlier appeal). However, the Court has ruled that it will not present the findings in this proposed instruction by way of a jury instruction (Order at 4, Dkt. No. 763), so Novell will not present further argument on this issue here.

XIII. VERDICT FORM

SCO criticizes Novell’s proposed verdict form as “unnecessarily long and complicated,” and insists “no reasonable set of jurors could be expected to follow it.” (SCO’s Obj. at 38.) Tellingly, SCO has failed to identify any specific question(s) or instructions in Novell’s form that will confuse anyone. Novell, like the framers of the Seventh Amendment, does not share SCO’s dim view of jurors. Novell’s form is clearly and unambiguously signposted, and is no longer or more complicated than necessary to help the jury correctly navigate a somewhat complex combination of issues. Anyone intelligent enough to qualify as a juror will have no difficulty filling it out correctly.

SCO insists that Novell’s form should be rejected, in favor of (a slightly modified version of) SCO’s. But in addition to the defects previously noted in SCO’s form, that form also does not ask the jury to find the requisite facts before awarding punitive damages. As Novell has explained and argued elsewhere, the jury should not be instructed on punitive damages at all; and for the same reasons the verdict form should not inquire about them. (*See* Novell’s Objections at 33.) If the verdict form presented to the jury is to provide for punitive damages, then it should require the jury to answer this question in the affirmative before awarding such damages: “Did

SCO prove, by clear and convincing evidence, that Novell acted with personal malice toward SCO?" (*See id.* (quoting MUJI § 10.12).)

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Respectfully submitted

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