

WORKMAN | NYDEGGER A PROFESSIONAL CORPORATION

Sterling A. Brennan (Utah State Bar No. 10060; E-mail: sbrennan@wnlaw.com)

David R. Wright (Utah State Bar No. 5164; E-mail: dwright@wnlaw.com)

Kirk R. Harris (Utah State Bar No. 10221; E-mail: kharris@wnlaw.com)

Cara J. Baldwin (Utah State Bar No. 11863; E-mail: cbaldwin@wnlaw.com)

1000 Eagle Gate Tower

60 E. South Temple

Salt Lake City, Utah 84111

Telephone: (801) 533-9800

Facsimile: (801) 328-1707

MORRISON & FOERSTER LLP

Michael A. Jacobs, *pro hac vice*

Eric M. Acker, *pro hac vice*

Grant L. Kim, *pro hac vice*

Daniel P. Muino, *pro hac vice*

425 Market Street

San Francisco, CA 94105-2482

Telephone: (415) 268-7000

Facsimile: (415) 268-7522

Attorneys for Defendant and Counterclaim-Plaintiff Novell, Inc.

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 PROPOSED JURY
INSTRUCTIONS**

Judge Ted Stewart

Pursuant to the Court's January 6, 2010 Amended Scheduling Order, defendant Novell, Inc., separately submits the following proposed jury instructions for use at the upcoming trial. Competing versions of these instructions are being submitted by plaintiff SCO (the corresponding SCO instruction is indicated at the bottom of each Novell instruction). After meeting and conferring, the parties were unable to reach agreement on these instructions.

Dated: March 1, 2010

Respectfully submitted,

By: /s/ Sterling A. Brennan

WORKMAN NYDEGGER

Sterling A. Brennan

David R. Wright

Kirk R. Harris

Cara J. Baldwin

MORRISON & FOERSTER ^{LLP}

Michael A. Jacobs, *pro hac vice*

Eric M. Acker, *pro hac vice*

Grant L. Kim, *pro hac vice*

Daniel P. Muino, *pro hac vice*

Attorneys for Defendant and
Counterclaim-Plaintiff Novell, Inc.

Novell's Proposed Instruction No. 1:

Slander of Title – Slanderous Statement

The first element requires the party claiming slander of title (also called the “claimant”) to prove that defendant’s statement was (a) made publicly and (b) disparaged claimant’s title or ownership of the UNIX copyrights.

For the statement to be “public,” defendant must have communicated the statement to someone other than claimant.

For the statement to be “slanderous,” it must disparage the claimant’s title or ownership of the UNIX copyrights. In deciding whether a public statement by defendant disparaged the claimant’s title, you should not view individual words or sentences in isolation. Rather, each statement must be carefully examined in the context in which it was made, giving the words their most common and accepted meaning. You should also consider the surrounding circumstances of the statement, and how the intended audience would have understood the statement in view of those circumstances.

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. A statement is not slanderous if the context makes clear that the speaker is expressing a subjective view or an interpretation or theory, rather than an objectively verifiable fact.¹

AUTHORITY: *First Sec. Bank of Utah v. Banberry Crossing*, 780 P.2d 1253, 1256-67 (Utah 1989) (slander of title requires publication of a false statement “disparaging claimant’s title”); RESTATEMENT (SECOND) OF TORTS § 630 (1977) (“Publication of an injurious falsehood is its communication intentionally or by a negligent act to someone other than the person whose interest is affected”); Garner, *Black's Law Dictionary* 1348 (9th ed. 2009) (defining “publish” in the context of defamation to mean “The communication of defamatory words to someone other than the person defamed. The communication may be in any form, verbal or nonverbal”); *Bass v. Planned Mgmt. Servs., Inc.*, 761 P.2d 566, 568 (Utah 1988) (“A slanderous statement is one that is derogatory or injurious to the legal validity of an owner’s title or to his or her right to sell or hypothecate the property”); *West v. Thomson Newspapers*, 872 P.2d 999, 1008-09 (Utah 1994) (Utah law requires the court to distinguish fact from opinion by analyzing, among other things, “whether the statement is capable of being objectively verified as true or false” and stating that a court “must carefully examine the context in which the statement was made” and cannot make this determination by “viewing individual words in isolation”); *O’Connor v. Burningham*, 165 P.3d 1214, 1222 (Utah 2007) (*West* requires “a context-driven assessment” of whether a statement is reasonably susceptible to a defamatory meaning); (Order re Novell’s MIL 5 & 6 at 6, Dkt. No. 710) (quoting *West*, 872 P.2d at 1008-09); *Haynes v. Alfred A Knopf, Inc.*, 8 F.3d 1222, 1227 (7th Cir. 1993) (“if it is plain that the speaker is expressing a subjective view, an interpretation, a theory, conjecture, or surmise, rather than claiming to be in possession of objectively verifiable facts, the statement is not

¹ Novell contends that the question of whether a statement is provably false is a question of law for the Court. See Novell’s Motion in Limine Nos. 5-6. By proposing a form of instruction to be given in the event it is submitted to the jury, Novell does not waive that contention.

actionable”); *Mast v. Overson*, 971 P.2d 928, 932-33 (Utah Ct. App. 1998); *Jefferson Cty. Sch. Dist. No. R-1 v. Moody’s Investor’s Servs.*, 175 F.3d 848, 855-57 (10th Cir. 1999) (applying First Amendment “provably false” standard for defamation claims to state law claim for injurious falsehood) (quoting *Milkovich v. Lorain Journal Co.*, 497 U.S. 1, 20 (1990) (“a statement of opinion relating to matters of public concern which does not contain a provably false factual connotation will receive full constitutional protection”)).

SCO’S COMPETING INSTRUCTION: NO. 1

Novell's Proposed Instruction No. 2:

Slander of Title – False Statement/Copyright Ownership

The second element requires the party claiming slander of title to prove that defendant's statement disparaging the ownership of the UNIX copyrights was false because the claimant actually owned the UNIX copyrights at the time the statement was made. If a statement is true, it cannot be the subject of a claim for slander of title. You must decide whether the accused statement was true or false. Thus, you must decide which company owned the copyrights at the time the statement was made. If you determine that defendant owned the UNIX copyrights, you cannot find that defendant is liable for slander of title.

As the party claiming slander of title, the claimant bears the burden of proving by a preponderance of the evidence that defendant's statement was false – in other words, that the claimant is the owner of the UNIX copyrights.

AUTHORITY: *System Operations, Inc. v. Scientific Games Dev. Corp.*, 555 F.2d 1131, 1142 (3d Cir. N.J. 1977) (citing Restatement (Second) of Torts § 651(1)(c); W. Prosser, *Law of Torts* § 128 at 919-20 (4th ed. 1971)); *La Resolana Architects, PA v. Reno, Inc.*, 555 F.3d 1171 (10th Cir. 2009); *Santisas v. Goodin*, 17 Cal. 4th 599, 608 (Cal. 1998) (“Under statutory rules of contract interpretation, the mutual intention of the parties at the time the contract is formed governs interpretation. (Civ. Code, § 1636.) Such intent is to be inferred, if possible, solely from the written provisions of the contract”); CACI 314-315, 317; Cal Civ. Code § 1636, § 1641, § 1644, 1647; *County of Marin v. Assessment Appeals Bd.*, 64 Cal. App. 3d 319, 325 (Cal. App. 1st Dist. 1976) (one of the paramount principles concerning the interpretation of contracts is that “the contract must be construed as a whole and the intention of the parties must be ascertained from the consideration of the entire contract, not some isolated portion”).

SCO'S COMPETING INSTRUCTION: NO. 1

Novell's Proposed Instruction No. 3:

Slander of Title – Constitutional Malice

The third element requires the party claiming slander of title to prove that defendant's statement disparaging the ownership of the UNIX copyrights was made with "constitutional malice."

To show constitutional malice, the claimant must prove by clear and convincing evidence that defendant either knew the statement was false or acted with reckless disregard for the truth when it made the statement.

To find that defendant acted with reckless disregard for the truth or falsity of the statement, there must be sufficient evidence for you to conclude that defendant published the statements with a high degree of awareness of probable falsity.

You must not confuse "constitutional malice," as I have defined it here, with more common definitions of malice, such as ill will or hatred. Hostility, disapproval or other forms of ill will do not as such establish constitutional malice; a person making a public statement may despise someone but nevertheless state only what he believes to be the truth.

The claimant must prove constitutional malice by clear and convincing evidence. Clear and convincing evidence is a more exacting standard than proof by a preponderance of the evidence, which only requires you to believe that a party's claim is more likely true than not true. Clear and convincing evidence, on the other hand, leaves no substantial doubt in your mind that the constitutional malice is *highly* probable.

AUTHORITY: *New York Times v. Sullivan*, 376 U.S. 254, 280-81 (1964) (claimant must prove that the statement was made with "'actual malice' – that is, with knowledge that it was false or with reckless disregard of whether it was false or not."); Restatement (Second) of Torts § 580A (1977) ("One who publishes a false and defamatory communication concerning a public official or public figure in regard to his conduct, fitness or role in that capacity is subject to liability, if, but only if, he (a) knows that the statement is false and that it defames the other person, or (b) acts in reckless disregard of these matters."); *Bose Corp. v. Consumers Union of the United States, Inc.*, 466 U.S. 485, 511-12 (1984) (judges must determine whether the claim is "supported by clear and convincing proof of 'actual malice'" and concluding that the testimony "does not constitute clear and convincing evidence of actual malice"); *Addington v. Texas*, 441 U.S. 418, 432-33 (1979) ("To meet due process demands, the standard has to inform the factfinder that the proof must be greater than the preponderance-of-the-evidence standard applicable to other categories of civil cases. We noted earlier that the trial court employed the standard of 'clear, unequivocal and convincing' evidence in appellant's commitment hearing before a jury. That instruction was constitutionally adequate. However, determination of the precise burden equal to or greater than the 'clear and convincing' standard which we hold is required to meet due process guarantees is a matter of state law[.]"); *Jardine v. Archibald*, 279 P.2d 454 (Utah 1955); *Greener v. Greener*, 212 P.2d 194 (Utah 1949); 4 Modern Federal Jury Instructions: Civil § P 73.03 (Matthew Bender & Co. 2009); *Harte-Hanks Communications, Inc. v. Connaughton*, 491 U.S. 657, 667 (1989) (stating "[a]ctual malice, instead, requires at a minimum that the statements were made with a reckless disregard for the truth" and "the defendant must have made the false publication with a 'high degree of awareness of ...

probable falsity”); *St. Amant v. Thompson*, 390 U.S. 727, 730-31 (1968) (“the defendant must have made the false publication with a ‘high degree of awareness of ... probable falsity’”); *Crane v. The Arizona Republic*, 972 F.2d 1511, 1523-1525 (9th Cir. 1992) (“Actual malice is a subjective standard testing the publisher’s good faith belief in the truth of her or his statements) (citing *St. Amant*, 390 U.S. at 731-32); *Masson v. New Yorker Magazine, Inc.*, 501 U.S. 496, 510-11 (1991) (“Actual malice under the *New York Times* standard should not be confused with the concept of malice as an evil intent or a motive arising from spite or ill will. We have used the term actual malice as a shorthand to describe the First Amendment protections for speech injurious to reputation, and we continue to do so here. But the term can confuse as well as enlighten. In this respect, the phrase may be an unfortunate one. In place of the term actual malice, it is better practice that jury instructions refer to publication of a statement with knowledge of falsity or reckless disregard as to truth or falsity. This definitional principle must be remembered in the case before us.” (citations omitted)); *Garrison v. Louisiana*, 379 U.S. 64, 73-74, (1964); 5 Modern Federal Jury Instructions: Civil § P 91.04 (Matthew Bender & Co. 2009).

SCO’S COMPETING INSTRUCTION: NOS. 7 AND 7.1

Novell's Proposed Instruction No. 4:

Slander of Title – Special Damages

The fourth element requires the party claiming slander of title to prove that defendant's statement disparaging claimant's ownership of the UNIX copyrights caused special damages to claimant. The claimant cannot prevail on its slander of title claim unless it proves it suffered actual economic damage as a direct and immediate result of the slanderous false statement. The law does not assume that economic damage always occurs as a result of an act slandering one's title to property. For this reason, it is necessary for the party claiming slander to prove that the false statement caused it economic injury, called "special" damages.

The burden is on the party claiming slander of title to establish that the harm complained of resulted from the false statement and not from other factors. In other words, the party claiming slander must show that if not for the false statement, it would not have suffered any harm.

Unless the party claiming slander can prove a specific monetary loss flowing from the slander, then you must find that there is no damage. These "special" damages must be shown and their amount must be proven and not merely estimated. A decline in stock price is not an appropriate claim for special damages.

AUTHORITY: (Order at 11-12, Dkt. No. 621); Rest. 2d Torts §633 (2009) (liability is restricted to "pecuniary loss that results directly and immediately from the effect of the conduct of third persons"); *Stoody Co. v. Royer*, 374 F.2d 672, 680 (10th Cir. 1967) (lost sales of bundled product could not be traced "directly and immediately" to loss of vendibility of the slandered product and thus were not recoverable as special damages); *Bass v. Planned Mgmt. Svcs., Inc.*, 761 P.2d 566, 568-69 (Utah 1988) ("slander of title actions are based only on palpable economic injury and require a plaintiff to prove special damages."); *Dowse v. Doris Trust*, 116 Utah 106, 111-12, 208 P.2d 956, 958 (Utah 1949) ("The action of slander of title is based on a wrongful act *but for* which the plaintiff would not have had to incur any expense, either for costs or for attorney's fees.") (emphasis added); *Macia v. Microsoft Corp.*, 152 F. Supp. 2d 535, 541 (D. Vt. 2001) ("At a minimum, Catamount will have to prove that its 'damages resulted from the 'slander' and not from other factors'" in order to recover."); *Den-Gar Enters. v. Romero*, 94 N.M. 425, 430 (N.M. Ct. App. 1980); Annotation, J. Pearson, *What Constitutes Special Damages in Action for Slander of Title*, 4 A.L.R.4th 532, § 2a (1981) (cited by *Bass*, 761 P.2d at 568-69) ("The law does not presume that damages occur as a necessary result of an act of slandering one's title to real or personal 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.").

SCO'S COMPETING INSTRUCTION: NO. 10

Novell's Proposed Instruction No. 5:

Novell's Affirmative Defense to Slander of Title – Privilege

If you decide that SCO owns the UNIX copyrights, that Novell published statements slandering SCO's title with constitutional malice, and that SCO suffered special damages as a result, then you must decide if Novell was privileged to make those statements. If a privilege applies to a statement, and the publisher of the statement has not abused the privilege, then the publisher cannot be held liable for making the statement.

Novell claims several different privileges. You must decide whether those privileges apply²; and, if so, whether Novell abused those privileges. SCO bears the burden of proving that each of Novell's statements either was not privileged, or that Novell abused any applicable privilege.

First, Novell claims that statements it made in its applications for copyright registration were protected by Novell's right to petition the government. Novell's applications were protected by this privilege unless Novell's applications were baseless and Novell filed those applications without regard to whether it was entitled to registration.³

Second, Novell claims that other statements were protected by the litigation privilege, the recipient's interest privilege, and the rival property claimant's privilege.

Taking those in order, a party to litigation is privileged to publish slanderous statements during a lawsuit and even before a proposed lawsuit, so long as the statements have some relation to the lawsuit. Statements published by Novell before or during this lawsuit, that had some relation to this lawsuit, are protected by the litigation privilege unless Novell abused that privilege. The litigation privilege is abused if the statement is published to persons who have no connection to the judicial proceeding because they do not have an adequate legal interest in the outcome of the proposed litigation.

² Novell contends that whether any of the privileges described here applies is a question of law for the Court. *See* Novell's Motion in Limine No. 7. By proposing a form of instruction to be given, if the issue is submitted to the jury in accordance with the Court's ruling on this motion, Novell does not waive that contention.

³ *See, e.g.*, 17 U.S.C. § 410(a)–(c) (granting the authority to the Copyright Office to register copyrights “after examination,” which involves a “determination” that the subject matter of the copyright is copyrightable); U.S. Copyright Office, *Compendium II: Copyright Office Practice*, § 108 (“Examination is made to determine (1) whether or not the work for which registration is sought constitutes copyrightable subject matter and (2) whether or not the other legal and formal requirements have been met, including those set forth in the Copyright Office Regulations and in the Compendium of Copyright Office Practices.”); *Id.* at § 108.09 (“[t]he Copyright Office will not register a claim where (1) the material deposited does not constitute copyrightable subject matter or (2) the claim is invalid for any other reason.”); *Black's Law Dictionary* 1145 (6th ed. 1990) (defining “petition” as “A written address, embodying an application ... from the person ... preferring it, to the ... person to whom it is presented, for the exercise of his ... authority in the ... grant of some favor, privilege, or license. A formal written request addressed to some governmental authority.”).

Next, a party is privileged to publish slanderous statements that affect a legitimate interest of the recipient or audience. A legitimate interest may be, for example, a business interest, a financial interest, or a property interest. Statements published by Novell that affected a legitimate interest of the recipients of the publication were protected by the recipient's interest privilege unless Novell abused that privilege. The recipient's interest privilege is abused if the statement was made with constitutional malice, if the statement was made solely out of spite or ill will, or if the statement was published to persons that did not have a legitimate interest in the statement.

Finally, a party is privileged to publish slanderous statements asserting that it owns property, such as copyrights. Novell was privileged to assert ownership of the copyrights unless it abused that privilege. The rival claimant's privilege is abused if the person claiming ownership does not believe that it owns the property.

AUTHORITY: *West v. Thompson Newspapers*, 872 P.2d 999, 1007 (Utah 1994) ("To state a claim for defamation, he must show . . . that the statements were . . . not subject to any privilege"); *Brehany v. Nordstrom, Inc.*, 812 P.2d 49, 58-59 (Utah 1991) ("If a qualified privilege exists, the burden is on the plaintiff to prove that the privilege was abused"); Prosser § 115, at 835; *Anderson Devel. Co. v. Tobias*, 2005 UT 36, ¶¶ 26, 27, 116 P.3d 323, 332 (Utah 2005); *Cal. Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 510 (1972); *Professional Real Estate Inv., Inc. v. Columbia Pictures Ind., Inc.*, 508 U.S. 49, 57, 113 S. Ct. 1920 (1993) ("an objectively reasonable effort to litigate cannot be sham regardless of subjective intent"); *Price v. Armour*, 949 P.2d 1251, 1256 (Utah 1997) ("A party to private litigation . . . is absolutely privileged to publish defamatory matter . . . in communications preliminary to a proposed judicial proceeding . . . if the matter has some relation to the proceeding."); RESTATEMENT (SECOND) OF TORTS § 587 ("A party to a private litigation or a private prosecutor or defendant in a criminal prosecution is absolutely privileged to publish defamatory matter concerning another in communications preliminary to a proposed judicial proceeding, or in the institution of or during the course and as a part of, a judicial proceeding in which he participates, if the matter has some relation to the proceeding."); *id.* at § 587 cmt. e (the litigation privilege "applies only when the communication has some relation to a proceeding that is contemplated in good faith and under serious consideration"); *Krouse v. Bower*, 2001 UT 28, ¶ 15, 20 P.3d 895, 901 ("[T]he demand letter would be excessively published if it was published to more persons than necessary to resolve the dispute or further the objectives of the proposed litigation, in other words, if the letter was published to those who did not have a legitimate role in resolving the dispute, or if it was published to persons who did not have an adequate legal interest in the outcome of the proposed litigation."); RESTATEMENT (SECOND) OF TORTS § 646A (2009); RESTATEMENT (SECOND) OF TORTS § 595 cmt. d (2009) ("[A] statement made for the protection of a lawful business interest, professional, property, or other pecuniary interest and in some instances, a domestic interest, comes within the rule stated in this Section."); *Ferguson v. Williams & Hunt, Inc.*, 221 P.3d 205, 214-15 (Utah 2009) ("[I]n addition to other common law means, such as excessive publication or common law malice, a plaintiff can show abuse of a conditional privilege where the defendant (1) made a defamatory statement knowing it to be false or (2) acted in reckless disregard as to its falsity."); RESTATEMENT (SECOND) OF TORTS § 594, cmt b (1977); RESTATEMENT (SECOND) OF TORTS § 647; *id.* at § 647 cmt. b; *id.* at § 647 cmt. d ("Under the rule state in this Section a rival claimant is privileged to assert the inconsistent interest unless a trier of fact is persuaded that he did not believe in the possible validity of his claim. It is not necessary that the person asserting the claim should believe in its certain or even probable validity. It is enough if he believes in good faith that there is a substantial chance of its being sustained."); *Jack B. Cos. v. Nield*, 751 P.2d 1131, 1134 (Utah 1988); *O'Connor v. Burningham*, 165 P.3d 1214, 1224 (Utah 2007).

SCO'S COMPETING INSTRUCTION: NOS. 8 AND 9

Novell's Proposed Instruction No. 6:

Slander of Title – Award of Tort Damages

I will now instruct you about awarding damages. This instruction is given as a guide for calculating what damages should be if you find that SCO or Novell is entitled to them. However, if you decide that neither party is entitled to recover damages, then you must disregard this instruction.

If you decide that one party slandered the other party's title to the UNIX copyrights, you must decide how much money will fairly and adequately compensate the slandered party for that harm.

Both SCO and Novell claim damages in the form of legal costs incurred to defend their alleged ownership of the UNIX copyrights in the face of slanderous statements allegedly made by the other party.

In addition, SCO (but not Novell) claims damages in the form of lost profits. To recover damages for lost profits, SCO must prove it is reasonably certain it would have earned profits but for Novell's conduct.

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.

To decide the amount of damages for lost profits, you must determine the gross amount SCO would have received but for Novell's conduct and then subtract from that amount the expenses SCO would have had if Novell's conduct had not occurred. In addition, the amount of damages must be reduced by the value of any licenses SCO will still be able to sell once its title to the copyrights is clear. If the current licensing value of the copyrights is greater than or equal to the value of the copyrights before any slander by Novell then SCO has no recoverable damages.

The amount of the lost profits need not be calculated with mathematical precision, but there must be a reasonable basis for computing the loss.

AUTHORITY: *Model Utah Jury Instr.* § CV2001 (Introduction to Tort Damages) (2d ed., updated 1/12/2010); CACI 3903 (Lost Profits); *Atkin Wright & Miles v. Mountain States Telephone & Telegraph Co., et al.*, 709 P.2d 330, 336 (Utah 1985); *Computerized Thermal Imaging, Inc. v. Bloomberg, L.P.*, Case No. 1:00 CV 98 K, 2001 U.S. Dist. LEXIS 24905, at *11 (D. Utah Mar. 28, 2001), *aff'd* 312 F.3d 1292 (10th Cir. 2002); *Valley Colour, Inc. v. Beuchert Builders, Inc.*, 944 P.2d 361, 364 (Utah 1997); *Reaugh v. McCollum Exploration Co.*, 163 S.W.2d 620, 622 (Tex. 1942); *Ostarly v. Johnson*, 700 S.W.2d 643, 644 (Tex. Ct. App. 1985); *Jones v. Rabson & Broocks*, No. 01-01-01210-CV, 2003 Tex. App. Lexis 1443 (Feb. 13, 2003).

SCO'S COMPETING INSTRUCTION: NO. 10

Novell's Proposed Instruction No. 7:
Interpretation of Contractual Terms

In deciding what the terms of a contract mean, you must decide what the parties intended at the time the contract was created.

The starting point for your interpretation must be the actual words used in the contract, which are given their usual and ordinary meaning. Any type of evidence other than the words themselves is "extrinsic evidence."

AUTHORITY: CACI 314 & 318; *SCO*, 578 F.3d at 1217; *Southern Cal. Edison Co.*, 37 Cal.App.4th at 851; Cal. Com. Code § 1303.

SCO'S COMPETING INSTRUCTION: NO. 4

Novell's Proposed Instruction No. 8:

Extrinsic Evidence

Extrinsic evidence may only be considered to interpret ambiguous language. Language that is not ambiguous must be given its usual and ordinary meaning, without regard to any extrinsic evidence.

Even when extrinsic evidence is used to interpret ambiguous language, the interpretation must be consistent with the language used in the contract. Even ambiguous language cannot be given an interpretation that is inconsistent with the words used.

One type of extrinsic evidence is testimony or documents showing what the people who were negotiating the contract said or did or understood at the time of the transaction. However, evidence that one party thought the language had a certain meaning is not relevant unless that understanding was somehow communicated to the other side.

Another type of extrinsic evidence you may consider to interpret ambiguous language is the parties' "course of performance," which is how the parties interpreted and applied the terms of the contract after it was created but before any disagreement between the parties arose. However, you may not consider the parties' course of performance, by itself, conclusive as to the meaning of the contract.

AUTHORITY: CACI 314 & 318; *SCO*, 578 F.3d at 1217; *Southern Cal. Edison Co.*, 37 Cal.App.4th at 851; Cal. Com. Code § 1303.

SCO'S COMPETING INSTRUCTION: No. 5

Novell's Proposed Instruction No. 9:

Novell's Affirmative Defense of Unclean Hands

Novell claims that SCO has unclean hands. The phrase “unclean hands” captures the idea that bad actors should not be aided by the courts. A party who has unclean hands is denied relief, regardless of whether it has otherwise proven its claims.

While there is no precise rule applied to determine whether a party's hands are clean, in general terms the unclean hands defense has two parts: first, the party said to have unclean hands must have acted unconscientiously, or in bad faith, or unfairly; and second, the bad conduct must be connected with the subject matter of the lawsuit.

Novell claims that SCO has unclean hands because even if it owns the copyrights, it misused them by trying to collect royalties from companies that might not infringe the copyrights, and by refusing to give those companies the information they needed to either decide if they infringe the copyrights or change their code so they would not infringe. A copyright is misused if the owner of the copyright tries to use it to prevent others from either using unprotected elements of the copyrighted work or designing around the protected elements of the work, for example, by writing noninfringing code that performs the same function.

It is SCO's burden to prove that its hands are clean. That is, SCO must prove that the conduct said by Novell to make SCO's hands unclean either is not unconscientious, or in bad faith, or unfair; or that the conduct is not connected with the subject matter of this lawsuit.

AUTHORITY: *Lynn v. Duckel*, 46 Cal. 2d 845, 850 (1956) (“The rule is settled in California that whenever 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 court will refuse to interfere on his behalf to acknowledge his right, or to afford him any remedy.”); *Kendall-Jackson Winery, Ltd. v. Superior Court*, 76 Cal. App. 4th 970, 974, 978 (2000) (“The doctrine demands that a plaintiff act fairly in the matter for which he seeks a remedy. He must come into court with clean hands, and keep them clean, or he will be denied relief, regardless of the merits of his claim.”); *Mendoza v. Ruesga*, 169 Cal. App. 4th 270, 279 (2008); *DeGarmo v. Goldman*, 19 Cal. 2d 755, 765 (1942) (“The burden is on the one coming into a court ... to prove not only his legal rights but [also] his clean hands.”); *Katz v. Karlsson*, 84 Cal. App. 2d 469, 474 (1948); MODEL JURY INSTRUCTIONS: COPYRIGHT, TRADEMARK AND TRADE DRESS LITIGATION (Todd S. Holbrook & Alan Nathan Harris eds., American Bar Association 2008) (citing 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyrights* § 12.09 (2006); *Practice Mgmt. Info. Corp. v. Am. Med. Ass'n*, 121 F.3d 516 (9th Cir. 1997), cert. denied, 522 U.S. 933 (1997); *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772 (5th Cir. 1999), reh'g denied, 180 F.3d 267 (5th Cir. 1999); *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990); *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 350 F.3d 640, 647 (7th Cir. 2003); *Bowers v. Baystate Techs., Inc.*, 320 F.3d 1317 (Fed. Cir.)).

SCO'S COMPETING INSTRUCTION: NONE

Novell's Proposed Instruction No. 10:

Definition of Copyright

Copyright is the exclusive right to copy. Upon obtaining a copyright, an author automatically acquires certain rights that are inherent in the very nature of a copyright. Specifically, the copyright owner obtains the following six exclusive rights of copyright:

- (1) the right to make additional copies, or otherwise reproduce the copyrighted work;
- (2) the right to recast, transform, adapt the work, or otherwise prepare derivative works based upon the copyrighted work;
- (3) the right to distribute copies of the copyrighted work to the public by sale or other transfer of ownership;
- (4) the right to perform publicly a copyrighted work;
- (5) the right to display publicly a copyrighted work; and
- (6) the right to perform a sound recording by means of digital audio transmission.

It is the owner of a copyright who may exercise these exclusive rights to copy. The term "owner" may include the author of the work, an assignee, or a licensee. In general, copyright law protects against production, adaptation, distribution, performance, and display of substantially similar copies of the owner's copyrighted work without the owner's permission. An owner may enforce these rights to exclude others in an action for copyright infringement. Even though one may acquire a copy of the copyrighted work, the copyright owner retains rights and control of that copy, including uses that may result in additional copies or alterations of the work.

AUTHORITY: *Ninth Circuit Model Civil Jury Instructions*, § 17.1.

SCO'S COMPETING INSTRUCTION: NO. 6

Novell's Proposed Instruction No. 11:

Divisibility of Copyright Ownership

The various rights included in a copyright are divisible and any of the exclusive rights comprised in a copyright may be transferred or licensed (on an exclusive or non-exclusive basis) to other parties.

AUTHORITY: *Kalantari v. NITV, Inc.*, 352 F.3d 1202, 1207-08 (9th Cir.2003) (“Upon obtaining a copyright, an author automatically acquires certain rights that are inherent in the very nature of a copyright. Specifically, the copyright owner obtains the six exclusive rights of copyright . . . as well as the right to transfer any or all of those rights.”); *Bagdadi v. Nazar*, 84 F.3d 1194, 1197-98 (9th Cir.1996) (“[T]he various rights included in a copyright are divisible and... ‘any of the exclusive rights comprised in a copyright . . . may be transferred . . . and owned separately’”) (citing 17 U.S.C. § 201(d)(2) [“Any of the exclusive rights comprised in a copyright . . . may be transferred . . . and owned separately. The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title”]); *Ninth Circuit Model Civil Jury Instructions*, § 17.11.

SCO'S COMPETING INSTRUCTION: NO. 6

Novell's Proposed Instruction No. 12:

Transfer of Copyright Ownership Must Be in Writing

If the owner of a copyright seeks to transfer or sell ownership of that copyright, that transfer of copyright ownership must be in writing and signed by the party from whom the copyright is transferred. The purpose of this requirement is to protect copyright holders from people or companies who mistakenly or fraudulently claim transfers of copyright.

AUTHORITY: *The SCO Group, Inc. v. Novell, Inc.*, 578 F.3d 1201, 1211-12 (10th Cir. 2009) (citing 17 U.S.C. § 204(a) (1994) (copyright transfer is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent)); *Konigsberg Int'l, Inc. v. Rice*, 16 F.3d 355, 357 (9th Cir. 1994) (“[A] transfer of a copyright is simply 'not valid' without a writing.”).

SCO'S COMPETING INSTRUCTION: NO. 6

Novell's Proposed Instruction No. 13:

Findings by the Court and Tenth Circuit

In this case, the Court and the Tenth Circuit Court of Appeals have already made certain findings. As you consider your verdicts on the issues presented in these jury instructions, you must consider the following as undisputed and true:

- “[A]greements that postdate the APA may constitute SVRX Licenses.”
- “Although Novell may have initially intended to sell the complete UNIX business, both parties agree that Santa Cruz was either unwilling or unable to commit sufficient financial resources to purchase the entire UNIX business outright.”
- “If [one] were to interpret the contract based initially only on the APA itself – without regard to Amendment No. 2 – . . . its language unambiguously excludes the transfer of copyrights.”
- “[T]here is no evidence that Novell’s public statements [regarding copyright ownership] were based on anything but its good faith interpretation of the contracts.”
- “[T]here is no evidence to demonstrate that Novell’s position [regarding copyright ownership] was contrary to its own understanding of the contractual language or objectively unreasonable given the history of the dispute between the parties.”
- “SCO breached its fiduciary duties to Novell by failing to account for and remit the appropriate SVRX Royalty payments to Novell for the SVRX portions of the 2003 Sun . . . Agreement[.]”
- “SCO was not authorized under the APA to amend, in the 2003 Sun Agreement, Sun’s 1994 SVRX buyout agreement with Novell, and SCO needed to obtain Novell’s approval before entering into the amendment.”

AUTHORITY: *Rohrbaugh v. Celotex Corp.*, 53 F.3d 1181, 1183 (10th Cir. 1995); (Order at 36, Dkt. No. 542); (Final Judgment at 2-3, Dkt. No. 565); (Summary Judgment Order at 64-65, 90, 96, 100-101, Dkt. No. 377); *The SCO Group, Inc. v. Novell, Inc.*, 578 F.3d 1201, 1205, 1210, 1227 (10th Cir. 2009).

SCO’S COMPETING INSTRUCTION: NONE