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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH

THE SCO GROUP, INC., by and through the Chapter 11 Trustee in Bankruptcy, Edward N. Cahn, Plaintiff/Counterclaim-Defendant, vs. NOVELL, INC., a Delaware corporation, Defendant/Counterclaim-Plaintiff.	**SCO'S OPPOSITION TO NOVELL'S *DAUBERT* MOTION TO DISQUALIFY G. GERVAISE DAVIS III** Civil No. 2:04 CV-00139 Judge Ted Stewart

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INTRODUCTION

SCO may call expert G. Gervaise Davis to testify at trial. Mr. Davis is eminently qualified to testify as an expert, as shown below. He would testify to the following principal conclusions he draws in his Expert Report dated May 29, 2007. (Ex. A.)

- In order to exercise its rights with respect to its acquisition of the UNIX and UnixWare technologies it acquired under the amended 1995 Asset Purchase Agreement ("APA"), SCO either would have to own the UNIX and UnixWare copyrights or else have a license to use the copyrighted material in those technologies.

- An implied license is not a practical or viable means by which a licensee could operate an entire software business involving a complex set of copyrighted works, and in Mr. Davis's extensive experience with industry practices he has never come across such a license for such activities.

- If SCO does not have a license under the amended APA, SCO's ownership of the UNIX and UnixWare copyrights is required for SCO to exercise its rights with respect to its acquisition of the UNIX and UnixWare technologies.

Mr. Davis would not testify to the ultimate legal question, for the jury to determine, of whether SCO owns the UNIX and UnixWare copyrights.

Mr. Davis (as explained further below) has decades of experience in software licensing. As support for his conclusions, he would testify to foundational issues such as the following:

- The subject matter of his practice "covered (among other topics) the creation and development, authorship, sale, licensing, distribution and use of computer software. This involved all the usual issues arising under the federal and state laws relating to copyright, patent, and trade secret protection of computer software." (Id. ¶ 3.)

- In the course of the foregoing activities, he "was often asked to advise my clients on specific software copyright issues and questions about copyright ownership and the specific rights such ownership creates, as well as the obligations it imposes upon the owners and licensors of the copyrights." (Id. ¶ 6.)

- The understanding he brought to his work in his practice is that "[t]o actually *use* the software for anything other than merely to possess a physical copy or read it, the party must either own or co-own the copyrights at issue, have some license to

do so, or enjoy some grant of rights to do so from the owner of the copyrights. Inherent in *any* use of software is the necessity to make an electronic copy of the software code in the computer memory, so that even *using* the software without a license or some expressed exception in the Copyright Act would be a copyright infringement." (Id. ¶ 23.)

- "I have never seen a transaction in which a developer obtained only an implied license to create, market, and license complex derivative versions of a business software system." (Id. ¶ 26.)

The conclusions to which Mr. Davis would testify are permissible. In disputing the relevant scope of Mr. Davis's expertise and the soundness of his logic, Novell does not set forth any basis for precluding him from testifying, but rather raises arguments that the jury can consider in determining the weight to afford Mr. Davis's testimony.

Novell brings its motion, moreover, with the full knowledge that Mr. Davis's testimony is particularly persuasive because it dovetails with the Tenth Circuit's rejection of Novell's legal arguments regarding the operation and interpretation of the 1995 Asset Purchase Agreement ("APA") and its Amendment No. 2. SCO Group, Inc. v. Novell, Inc., 578 F.3d 1201, 1209-17 (10th Cir. 2009). Mr. Davis would explain that if SCO did not acquire a license to such rights in UNIX and UnixWare under the amended APA, then only its ownership of the UNIX and UnixWare copyrights can provide such rights. Mr. Davis would thus conclude that if SCO does not have a license, SCO's ownership of all of the copyrights have been "required." In concluding that the amended APA "refers to ownership of copyrights, not to licenses," id. at 1216, the Tenth Circuit therefore has made Mr. Davis's testimony particularly relevant.

LEGAL STANDARD

"Expert testimony is to be admitted when the Court has determined that the expert's proposed testimony is specialized knowledge, and the evidence fits the current issue and will assist the jury." United States v. Allums, No. 2:08-CR-30 TS, 2009 WL 806748, at *1 (D. Utah

Mar. 24, 2009) (quotations, brackets, ellipses, and citation omitted). "The Tenth Circuit has stated that when an expert's opinion has some basis in fact, a fact finder can determine whether the testimony is helpful. The Tenth Circuit has emphasized that the burden is on opposing counsel through cross-examination to explore and expose any weakness in the underpinnings of the expert's opinion." Slicex, Inc. v. Aeroflex Colo. Springs, Inc., No. 2:04-CV-615 TS, 2006 WL 1993782, at *1 (D. Utah July 14, 2006) (quotations and citations omitted).

ARGUMENT

I. MR. DAVIS HAS EXPERTISE IN THE RELEVANT FIELD.

A. Mr. Davis Is Extremely Well Credentialed and Experienced.

Without rehashing the entirety of his background, which is set forth with his Report at Exhibit A, SCO submits that Novell cannot dispute Mr. Davis's expertise in the area of software contracts and software licensing. Among other relevant facts:

- He has been practicing law for approximately 50 years, and practiced law as a technology and intellectual property lawyer for over 40 of them.
- In that capacity, the clients he has represented include Sun Microsystems, Silicon Graphics, Hewlett-Packard, Atari, Fujitsu, and Digital Research, Inc., and he has written and negotiated software licenses with Apple, DEC, IBM, Intel, Control Data, NCR, Burroughs, Ashton Tate, Word Perfect, Novell, and at least a hundred or more small software and hardware companies.
- He estimates that his practice has involved negotiating or writing probably five thousand (5,000) software licenses, from simple three- to five-page end-user agreements to complex agreements running more than fifty pages.
- He has served as an Adjunct Professor of Law at Santa Clara University Law School, teaching courses in Intellectual Property.
- He is the author of literally hundreds of articles in legal and business publications, in the area of copyrights, trademarks, and software licensing.

- In 1983 he authored one of the first books on the subject of protecting software, entitled Software Protection: Practical and Legal Steps to Protect and Market Computer Programs. The book won several awards for excellence.

(Ex. A.) In sum, Mr. Davis's extensive experience has required that he develop, which he has, a "detailed working knowledge of how the copyright laws relate to a software business and to the acquisition, development, use, and licensing of software, and especially when acquiring large software packages." (Id. ¶ 7.)

B. Mr. Davis's Experience Is Directly Relevant to the Current Issues.

The relevant question is not, as Novell contends (at 3), whether Mr. Davis has run a software company. The question is whether he has had sufficient experience that he can offer a particularly well-informed view on the following threshold issue: When a company acquires the source code of a software product with the intent to use and distribute it, what are the bundle of rights that the company must have? Mr. Davis has considered, addressed, and analyzed precisely that question thousands of times in his career. If Novell means to argue that Mr. Davis has never negotiated an agreement that is exactly the same as the APA, that is for the jury to consider. Similarly, if Novell means to continue to argue that the amended APA is unambiguous in its favor, such that any extrinsic evidence concerning the meaning of the amended Agreement is irrelevant, it has failed to understand the scope of this trial.[1]

Indeed, considered in any detail, Novell's argument falls apart. Any executive running a software company would do well to confer with an attorney over the bundle of rights that the company would be "required" to have in order lawfully to undertake particular business activities with particular software. Mr. Davis has played the role of that attorney for decades and

[1] Novell cites Marx & Co. v. Diners' Club, Inc., 550 F.2d 505 (2d Cir. 1977), for the unremarkable proposition that the Court will instruct the jury on the law, but under the Tenth Circuit's recent opinion in this case, those instructions are sure to inform the jury that extrinsic evidence of how to interpret the amended APA is relevant to their deliberations.

with hundreds of such executives. In addition, Mr. Davis's testimony would serve as an important counterpoint to the arguments Novell is likely to make with respect to any SCO employee or executive who testifies to the question of what copyrights are "required" – namely, that those witnesses have an axe to grind. Mr. Davis has no axe to grind, and Novell cannot claim otherwise. In that additional respect, his testimony will "assist the jury." Allums, 2009 WL 806748, at *1.

II. MR. DAVIS'S OPINIONS ARE ADMISSIBLE

A. Legal Standards Regarding Ultimate Issues.

Under the Rules of Evidence, "testimony in the form of an opinion or inference otherwise admissible is not objectionable because it embraces an ultimate issue to be decided by the trier of fact." Fed. R. Evid. 704(a); accord United States v. Oles, 994 F.2d 1519, 1523 (10th Cir. 1993). An "ultimate issue" is a "not-yet-decided point that is sufficient either in itself or in connection with other points to resolve the entire case." Black's Law Dictionary 836 (7th ed. 1999). The expert may "refer to the law in expressing his or her opinion." A.E. v. Indep. Sch. Dist. No. 25 of Adair County, Okla., 936 F.2d 472, 476 (10th Cir. 1991); accord Oles, 994 F.2d at 1523. The expert may not, however, "direct the jury's understanding of the legal standards upon which their verdict must be based." Oles, 994 F.2d at 1523 (quotations and citation omitted). "Expert testimony on legal issues crosses the line between the permissible and impermissible when it attempts to define the legal parameters within which the jury *must* exercise its fact-finding function." Smith v. Ingersoll-Rand Co., 214 F.3d 1235, 1246 (10th Cir. 2002).

In the arena of intellectual property, in particular with respect to patents, the courts have made clear that expert testimony on ultimate issues is entirely appropriate. On the ultimate issue of "obviousness," for example, "the opinion of an expert . . . is entitled to some weight since it

can be viewed as the expert's way of summarizing his interpretation of the evidence." 2 Chisum on Patents § 2:504[4] (2009). It has long been true that, "[a]s in other fields where expert testimony is of vital significance, the opinions of patent experts must often be formulated in conclusionary terms that make reference to legal concepts or touch on central issues in the case." N.V. Maatschappij Voor Industriele Waarden v. A.O. Smith Corp., 590 F.2d 415, 418 (2d Cir. 1978). Similarly, in Moore v. Wesbar Corp., 701 F.2d 1247 (7th Cir. 1983), the court summarily rejected the argument that it was improper for a trial court to allow expert testimony on the ultimate issue of obviousness. See, e.g., Symbol Technologies, Inc. v. Opticon, Inc., 935 F.2d 1569, 1575 (Fed. Cir. 1991) ("[T]estimony on the ultimate issue of infringement is permissible in patent cases."); Snellman v. Ricoh Co., Ltd., 862 F.2d 283, 287 (Fed. Cir. 1988) ("[E]xpert testimony is admissible to explain the meaning of technical terms in the claims and to give an opinion on the ultimate question of infringement.").

Novell cites Sprecht v. Jensen, 853 F.2d 805 (10th Cir. 1988), but the analysis in that case serves to underscore the propriety of Mr. Davis's testimony here. In Sprecht the Tenth Circuit held that "when the purpose of testimony is to direct the jury's understanding of the legal standards upon which their verdict must be based, the testimony cannot be allowed." Id. at 810. The expert is not allowed "to instruct the jury on how it should decide the case." Id. at 808. Mr. Davis would not opine on the law the jury must apply in deciding whether the parties to the APA intended for SCO to acquire the copyrights. Nor would he opine on the governing principles of contract interpretation, or the relevance of extrinsic evidence, or the importance of course of performance, or anything of the kind.

The testimony that Mr. Davis would give is on all fours with the description in Sprecht of the appropriate scope of expert testimony. The court was careful to explain that "[w]e do not

exclude all testimony regarding legal issues. We recognize that a witness may refer to the law in expressing an opinion without that reference rendering the testimony inadmissible." Id. at 809. The court thus endorsed the propriety of expert testimony (i) that a defendant was legally obligated to register the weapon at issue with the Bureau of Alcohol, Tobacco and Firearms; (ii) that a statement a company made in a prospectus was standard language for the issuance of a new security; and (iii) even that experts on income tax law may testify to whether a defendant's failure to report receipt of certain funds constituted income tax evasion. Id. SCO shows below that Mr. Davis's testimony falls well within these permissible parameters.

B. Mr. Davis's Logic Is Sound, and Novell Can Try to Challenge It at Trial.

Novell contends (at 4-6) that Mr. Davis has constructed a "disjunctive syllogism" that involves a "major premise" and a "minor premise," and that Mr. Davis cannot testify to the "minor premise." Novell does not contend that such logic is unsound, however, and none of the three cases it cites suggests such a conclusion. An expert who has constructed a disjunctive syllogism is not precluded from testifying. Novell is free to argue to the jury that Mr. Davis's opinion somehow is illogical, and if it wants to use the term "disjunctive syllogism" in making that argument, it is free to do that as well. Slicex, 2006 WL 1993782 at *1.

Novell contends that in general it is for the Court to determine if a contract creates an "implied license," but that is not now the framework of the trial. The Tenth Circuit's opinion makes clear that the question of the parties' intent under the amended APA is for the jury to resolve. SCO Group, Inc. v. Novell, 578 F.3d 1201, 1216 (10th Cir. 2009). Novell thus overlooks that part of Mr. Davis's opinion concerns his knowledge of industry practice. Such "custom and practice" evidence to help interpret an ambiguous agreement is plainly admissible. See, e.g., Straus v. DVC Worldwide, Inc., 484 F. Supp. 2d 620, 644-45 (S.D. Tex. 2007)

(acknowledging the propriety of expert testimony on whether "implied licenses for this type of self-promotional use are part of the industry custom"); see also Welles v. Turner Ent't Co., 503 F.3d 728, 739 (9th Cir. 2007); Expert Witnesses: Intellectual Property Cases § 5:9 (2008). Mr. Davis has testified that in all of his experience, he has never come across a contract that provided for merely an "implied license" to undertake to operate a software business as complex as the one that SCO acquired from Novell. The jury is entitled to conclude from such testimony that it is not the custom or practice in the industry for parties to execute written agreements that provide for only "implied licenses" to use the software at issue – in particular where, as here, the agreement is in the form of an "Asset Purchase Agreement."

C. Mr. Davis Would Permissibly Testify to Ultimate Issues.

The parties agree that it is now for the jury to determine what the parties meant in Amendment No. 2 when they referred to the copyrights "required" for SCO to exercise its rights under the APA. The jury could conclude that in using the word the parties meant to refer to all of the UNIX and UnixWare copyrights. The jury might also conclude that the parties meant to say that if ownership of the copyrights turned out to be legally "required," then SCO must have acquired those copyrights, or must have them now.

Mr. Davis's testimony on the latter issue is relevant and falls within the permissible scope. He would not tell the jury what the parties intended when they used the word "required." He would not purport to tell the jury the law they must apply in considering whether the copyrights are "required." He would not offer any opinion on the ultimate issue of law – whether SCO is the owner of the UNIX and UnixWare copyrights. Instead, he would testify to an ultimate issue for the jury to resolve (depending on how the jury interprets Amendment No.

2): Has ownership of the copyrights been "required" for SCO to have exercised the rights it has had for over a decade? The law makes clear that Mr. Davis is entitled to testify to such an issue.

The testimony Mr. Davis would offer is no different from the type of testimony that the Tenth Circuit has allowed experts to give. Mr. Davis's testimony is, for example, as admissible as (i) the expert's testimony as to his "understanding of the customary meaning and usage of the terms in question," including the operation of the terms in the "real world," given his "considerable experience in the preparation" of the documents at issue. Phillips v. Calhoun, 956 F.2d 949, 952 (10th Cir. 1992); (ii) the expert testimony concerning "Conoco's intent in entering into the contracts" at issue, including Conoco's motivation, based on the expert's extensive experience in the industry, where the expert "did not simply tell the jury that the conduct was fraudulent; he did not state any legal conclusions; and he did not testify as to the legal elements necessary to establish fraud." Oakland Oil Co. v. Conoco, Inc., 144 F.3d 1308, 1327-28 (10th Cir. 1998); and (iii) the expert testimony from the IRS that the defendant's tax filing failed to comply with the applicable tax laws, where the expert is not testifying to the legal question of whether the defendant intended to evade the tax laws. United States v. Bedford, 536 F.3d 1148, 1157-58 (10th Cir. 2008). SCO shows further below that Mr. Davis's testimony is permissible under the foregoing legal standards.

D. Mr. Davis Would Permissibly Testify to His Understanding of the Law.

The nub of Novell's motion (at 3-4) appears to be its concern that in testifying to the foregoing ultimate issue, as an attorney, Mr. Davis would impermissibly purport to instruct the jury on the law. Not so. Mr. Davis would testify that he reaches his conclusion about what copyrights are required based on his understanding of the relevant law, which in turn is based on his decades of experience in considering such issues as he negotiated thousands of contracts

comparable to the APA. He would testify, as noted, to his understanding that if SCO neither owns the copyrights nor has a license to the UNIX and UnixWare software products, then SCO is not legally entitled to make copies of the software products, and is not legally entitled to bring suits to redress violations of the copyrights in those products. Mr. Davis is entitled to testify to his understanding of the law in such a context. He would not be telling the jury that the law does require either copyright ownership or a license; he would testify as to how his understanding of the law has informed his view of industry practices and his opinion here.

The law allowing an expert to testify to his understanding of the law in opining on ultimate issues makes particular sense here, and underscores the lack of prejudice to Novell in permitting Mr. Davis to testify. Novell assumes that it is for the Court to instruct the jury on the law that will govern the question of what copyrights are "required" for SCO to exercise its rights. If Mr. Davis testifies to his understanding of what rights SCO must possess to be able to pursue its UNIX and UnixWare businesses, and any instructions the Court will give could somehow be construed as inconsistent with Mr. Davis's understanding, then Novell is free to argue to the jury that Mr. Davis's testimony is unreliable and unhelpful.

CONCLUSION

SCO respectfully submits, for the reasons set forth above, that the Court should deny Novell's *Daubert* Motion to Disqualify G. Gervaise Davis III.

DATED this 19th day of February, 2010.

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CERTIFICATE OF SERVICE

I, Brent O. Hatch, hereby certify that on this 19th day of February, 2010, a true and correct copy of the foregoing **SCO'S OPPOSITION TO NOVELL'S *DAUBERT* MOTION TO DISQUALIFY G. GERVAISE DAVIS III** was filed with the court and served via electronic mail to the following recipients:

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