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**IN THE UNITED STATES DISTRICT COURT**

**DISTRICT OF UTAH, CENTRAL DIVISION**

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THE SCO GROUP, INC., a Delaware  
corporation,

Plaintiff,

vs.

NOVELL, INC., a Delaware corporation,

Defendant.

Case No. 2:04CV00139

**NOVELL'S OBJECTIONS TO SCO'S  
PROPOSED JURY INSTRUCTIONS**

Judge Ted Stewart

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Pursuant to the Court's February 4, 2010 Trial Order, Novell submits the following objections to SCO's Proposed Jury Instructions.

### **OBJECTION TO TITLES AND ORDER OF INSTRUCTIONS**

SCO's Proposed Instruction Nos. 1-6 are likely to confuse the jurors because they fail to track the slander of title elements. The parties have agreed that there are four elements: (1) publication of a disparaging statement; (2) false statement; (3) malice; and (4) special damages. (Joint Proposed Jury Instruction No. 1, Dkt. No. 739.) Novell's proposed instructions on slander of title precisely track these elements: "(1) Slander of Title—Slanderous Statement;" "(2) Slander of Title—False Statement/Copyright Ownership;" "(3) Slander of Title—Constitutional Malice;" and "(4) Slander of Title—Special Damages." (Novell's Proposed Instruction Nos. 1-4, Dkt. No. 740.)

However, SCO's proposed instructions do not match the agreed-upon elements: "(1) The Element of a False Statement; (2) The Element of Copyright Ownership: Amended Asset Purchase Agreement; (3) The Element of Copyright Ownership: Prima Facie Evidence; (4) The Element of Copyright Ownership: Interpretation of Contractual Terms; (5) The Element of Copyright Ownership: Extrinsic Evidence; (6) The Element of Copyright Ownership: Relevance of Copyright Ownership." (SCO's Proposed Instruction Nos. 1-6, Dkt. No. 743.) Because "false statement" is not the first element of a slander of title claim, and "copyright ownership" is not an element at all, the titles and general organization of SCO's instructions will confuse the jury.

#### **I. OBJECTIONS TO SCO'S PROPOSED INSTRUCTION NO. 1: "THE ELEMENT OF A FALSE STATEMENT" (NOVELL'S COMPETING PROPOSED INSTRUCTION: NOS. 1-2)**

SCO's proposed jury instruction on false statement reads as follows, with objectionable language in bold:

**SCO'S PROPOSED INSTRUCTION NO. 1: The Element of False Statement**



**The first element of a claim for slander of title is that the defendant has made a false statement claiming to own the property at issue.** There are several statements at issue that the plaintiff contends are false statements.

Among the conduct that you are entitled to regard as “statements” are the parties’ filing of copyright registrations. The filing of such registrations does not mean that the filing party actually owns the copyrights identified in the registrations.

**You must determine whether, in the various statements at issue in this case, and taken in context, the defendant intended to convey the message that it owns the UNIX and UnixWare copyrights.**

**You may determine that the plaintiff [sic] intended to convey that message even if the defendant has couched its statements in the form of an opinion, such as by conveying its “opinion” or “belief.” That is because an expression of opinion or belief may often imply an assertion of objective fact.**

You must also determine whether the defendant’s statements were false.

“False” means that the statement is either directly untrue or that an untrue inference can be drawn from the statement. You are to determine the truth or falsity of the statement according to the facts as they existed at the time defendant made the statements.

The statement, to be true, must be substantially true. A statement is considered to be true if it is substantially true or the gist of the statement is true.

**A. SCO’s Instruction Inaccurately Suggests that Novell made Statements Claiming Ownership of UnixWare Copyrights.**

SCO’s reference to “UnixWare copyrights” is inaccurate and will therefore be confusing to jurors. SCO’s proposed instructions ask the jury to determine whether Novell “intended to convey the message that it owns the UNIX and UnixWare copyrights.” However, Novell did not claim ownership to the UnixWare copyrights in any of the allegedly slanderous statements at issue. (*See* Novell’s Opposition to SCO’s Motion in Limine No. 1, Ex. 1A, Dkt. No. 675 (May 28, 2003 letter (referencing only “UNIX”)); Order at 2-5, Dkt. No. 710 (quoting the relevant text

of the five subsequent statements at issue). The reference to “UnixWare” should therefore be taken out.

**B. SCO’s Instruction That the Defendant’s Intent is Relevant to this Element is Contrary to Authority.**

SCO’s proposed instruction twice asks the jury to determine whether “the defendant *intended* to convey” the message that it owns the copyrights. This is without authority and contrary to the Court’s previous ruling. The role of the jury is “to determine whether the statement complained of was *understood* by the recipient as disparaging or otherwise injurious.” (Order at 6, Dkt. No. 710 (emphasis added).) Thus, the relevant inquiry for purposes of the first element of slander of title is not the defendant’s intent, but, as stated in Novell’s proposed instruction, “how the intended audience would have understood the statement.” (Novell’s Proposed Instruction No. 1 ¶3, Dkt. No. 740.)

**C. SCO’s Instruction on “Context” is Incomplete.**

The fourth paragraph of SCO’s instruction includes a very short reference to taking statements “in context” that does not adequately reflect Utah law. As explained by this Court, Utah law requires that the decisionmaker not view “individual words in isolation; rather, it must carefully examine the context in which the statement was made, giving the words their most common and accepted meaning.” (Order at 6, Dkt. No. 710) (*quoting West v. Thomson Newspapers*, 872 P.2d 999, 1009 (Utah 1994)).) Novell’s proposed instruction tracks this language. (*See* Novell’s Proposed Instruction No. 1 at ¶3, Dkt. No. 740.)

The Utah Supreme Court has emphasized that context is critical. For example, in the *West* decision cited by this Court, the Utah Supreme Court held that while a statement that a politician had “manipulated” the media might be considered defamatory in some contexts, it was not defamatory in the context of a “heated political battle” between a newspaper and the politician. *West*, 872 P.2d at 1009. The Utah Supreme Court quoted Justice Holmes’ comment

that “[a] word is not a crystal, transparent and unchanged, it is the skin of a living thought and may vary greatly in color and content according to the circumstances and the time in which it is used.” *Id.* (citation omitted). Similarly, the Utah Supreme Court emphasized in a recent case that *West* requires a “context-driven assessment of the alleged defamatory statement....”

*O’Connor v. Burningham*, 163 P.2d 1214, 1222 (Utah 2007).

Novell’s proposed instruction adequately reflects the governing Utah law, while SCO’s does not. The Court should therefore adopt Novell’s third paragraph rather than SCO’s proposed instruction.

**D. SCO’s Instruction on Opinion Versus Fact is Improperly Argumentative and Incomplete.**

The fifth paragraph of SCO’s proposed instruction is argumentative and incomplete. SCO asks the Court to instruct the jury that they may find that “the plaintiff [sic] intended to convey” the message that it owns the copyrights “even if the defendant has couched its statements in the form of an opinion . . . . That is because an expression of opinion or belief may often imply an assertion of objective fact.” SCO is apparently relying on the Supreme Court’s decision in *Milkovich v. Lorain Journal Co.*, 497 U.S. 1, 11-19 (1990). SCO’s proposed instruction misleadingly fails to include the critical holding in *Milkovich*, which is that “a statement of opinion relating to matters of public concern which does not contain a provably false factual connotation will receive a full constitutional protection.” *Milkovich*, 497 U.S. at 20. Thus, the relevant legal inquiry under the First Amendment is not whether the statement is “opinion” or “fact,” but whether the statement at issue is “susceptible of being proved true or false.” *Id.* at 21; *see also 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). The Utah Supreme Court has held that the Utah Constitution provides similar protection: a statement of opinion is not actionable if

the opinion does not state or imply “objectively verifiable” facts that are false and defamatory, or if the underlying facts are not defamatory. *West*, 872 P.2d at 1015 (Utah 1994).

This Court has acknowledged that a statement is not actionable “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 actionable.” (Order at 7, Dkt. No. 710) (*quoting Haynes v. Alfred A Knopf, Inc.*, 8 F.3d 1222, 1227 (7th Cir. 1993)). Similarly, the Utah Supreme Court has held that a subjective view that is based on true facts that are disclosed is a constitutionally protected opinion. *West*, 872 P.2d at 1019-1020 (implied assertion that politician misrepresented his view on a key issue to get elected was capable of a defamatory meaning, but was not actionable under the Utah Constitution because it was a subjective view based on the true fact that the politician did change his position); *see also Jefferson*, 175 F.3d at 863 (“statements have been found to be protected by the First Amendment because their underlying factual premises have been fully disclosed”).

SCO’s proposed instruction completely ignores these controlling principles. Novell’s Proposed Jury Instruction No. 1, in contrast, properly summarizes the relevant law.<sup>1</sup> (*See* Novell’s Proposed Instruction No. 1 at ¶4, Dkt. No. 740.)

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<sup>1</sup> As noted previously, Novell contends that whether a statement is a protected opinion is an issue of law for the Court to decide. (Novell’s Motion In Limine No. 5 at 1, Dkt. No. 632.) The Court held that Novell’s statements were reasonably susceptible to a defamatory meaning, but does not appear to have addressed the separate issue of whether the statements were constitutionally protected because they expressed subjective views that were not objectively verifiable and that were based on true facts that were disclosed. (*See* Order, Dkt. No. 710.) Novell maintains its position that the Court should decide whether the statements were constitutionally protected opinions, but has proposed jury instructions in case the Court decides to submit this issue to the jury.

**II. OBJECTIONS TO SCO'S PROPOSED INSTRUCTION NO. 2: "THE ELEMENT OF COPYRIGHT OWNERSHIP: (NOVELL'S COMPETING PROPOSED INSTRUCTION: NO. 13)**

SCO's proposed jury instruction on the APA reads as follows, with objectionable language in bold:

**SCO'S PROPOSED INSTRUCTION NO. 2: The Element of Copyright Ownership:** Amended Asset Purchase Agreement

The element of a false statement concerns who owns the property at issue. On that issue, you should consider the Asset Purchase Agreement, as amended.

**The parties to the amended Asset Purchase Agreement were Santa Cruz and Novell, but SCO now stands in the shoes of Santa Cruz. That is because several years ago SCO acquired from Santa Cruz all of the UNIX and UnixWare assets that Santa Cruz had acquired from Novell.**

**You should be guided by the following legal principles in interpreting the amended Asset Purchase Agreement.**

**Amendment No. 2 must be considered together with the Asset Purchase Agreement as a single document.**

**The language of Amendment No. 2 controls wherever its language contradicts the Asset Purchase Agreement.**

**The contractual language of Amendment No. 2 is ambiguous. Accordingly, what is called the "extrinsic evidence" of the parties' intent is relevant to interpreting the combined APA and Amendment No. 2.**

I will explain to you in a few minutes the kind of evidence that constitutes relevant "extrinsic evidence."

**A. SCO's Second Paragraph Improperly Incorporates an Uncontroverted Fact into a Legal Instruction.**

SCO's second paragraph improperly instructs the jury on a misquoted uncontroverted fact. The same uncontroverted fact in the Pretrial Order reads:

The parties to the Asset Purchase Agreement were Santa Cruz and Novell, but SCO is now a party to the agreement in lieu of Santa Cruz. That is because several years ago SCO acquired from Santa

Cruz all of the UNIX and UnixWare assets that Santa Cruz had acquired from Novell.

(Pretrial Order at 3, Dkt. No. 731.) The purpose of a jury instruction is to instruct on the applicable law, not recite uncontroverted facts that will be read to the jury.

**B. SCO's List of Prior Findings Should Be Rejected.**

The remainder of SCO's proposed instruction consists of a one-sided presentation of prior legal findings by the Court. SCO argued, and the Court agreed, that "[p]ulling sentences out of a lengthy judicial opinion without the surrounding context elevates those snippets above other evidence the jury will hear, guarantees confusion, and creates prejudice." (Order Denying Defendant's Request for Judicial Notice of Prior Factual Findings at 4, Dkt. No. 763.) SCO attempts to do exactly what it claims Novell should not be able to do in paragraphs four to six of SCO's Proposed Instruction No. 2, which consist of incomplete portions of the following quotes from the Tenth Circuit's decision:

"Amendment No. 2 must be considered together with the Asset Purchase Agreement as a unified document."

". . . California law still dictates that we construe [the APA and Amendment No. 2] together, following Amendment No. 2 wherever its language contradicts the APA."

"[U]nlike the language of the APA itself, the contractual language of Amendment No. 2 concerning the transfer of copyrights is ambiguous" . . . . "This means extrinsic evidence regarding the parties' intent is relevant to our interpretation of the combined instrument."

*SCO Group, Inc. v. Novell, Inc.*, 578 F.3d 1201, 1210-1211 (10th Cir. 2009). The Court has decided that none of the prior findings in Novell's Proposed Instruction No. 13 ("Findings by the Court and Tenth Circuit") should be read to the jury. It should likewise decline SCO's request "to merely read[] portions of its prior orders or orders on appeal to the jury." (Order at 4, Dkt. No. 763.) SCO's Proposed Instruction No. 2 should therefore be rejected in its entirety.

**III. SCO’S PROPOSED INSTRUCTION NO. 3: “THE ELEMENT OF COPYRIGHT OWNERSHIP: PRIMA FACIE EVIDENCE” (NOVELL’S COMPETING PROPOSED INSTRUCTION: NONE)**

SCO’s proposed jury instruction on prima facie evidence reads as follows, with objectionable language in bold:

**SCO’S PROPOSED INSTRUCTION NO. 3: The Element of Copyright Ownership: Prima Facie Evidence**

**With respect to who owns the property at issue, copyright registrations are called “prima facie” evidence that the party who possesses the registrations owns the copyrights, and that the copyrights are valid.** “Prima facie” means that on first examination, a matter appears to be self-evident from the facts.

**A. SCO’s Proposed Instruction Inaccurately Implies that Physical “Possession” of a Copyright Registration Certificate is Relevant to Prove Ownership.**

This instruction is wrong and prejudicial. The Copyright Act provides that “the certificate of a registration made before or within five years after first publication of the work shall constitute prima facie validity of the copyright and of the facts stated in the certificate.” 17 U.S.C. § 410(c). Nothing in the statute, or in any of the cases SCO cites in support of its proposed instruction, supports the principle that mere “possession” of a copyright registration certificate constitutes prima facie evidence of ownership.<sup>2</sup>

To the contrary, the physical possession of a copyright certificate is legally irrelevant. “[T]he possessor of a copyright certificate is not ipso facto the copyright owner. The valuable federal right is not transferred by mere physical delivery, or other acquisition, of the certificate. The owner may, of course, assign the copyright. But this is to be done ‘by an instrument in writing signed by the proprietor of the copyright.’” *Kingsrow Enters., Inc. v. Metromedia, Inc.*, 397 F. Supp. 879, 881 (S.D.N.Y. 1975) (possession of the actual papers is “immaterial” to the question of copyright ownership); *see also La Resolana Architects, PA v. Clay Realtors Angel*

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<sup>2</sup> SCO filed its own applications for copyright registrations in 2003, many years following the first publication of the UNIX software.

*Fire*, 416 F.3d 1195, 1203 & n.7 (10th Cir. 2005) (holding that physical possession of a “registration is separate from the issuance of a certificate of registration” and that a rule placing emphasis on physical possession of registration papers is “hard to imagine considering the fact that a certificate could easily be lost”).<sup>3</sup>

For the foregoing reasons, SCO’s Proposed Instruction No. 3 should be rejected.

**IV. SCO’S PROPOSED INSTRUCTION NO. 4: “THE ELEMENT OF COPYRIGHT OWNERSHIP: INTERPRETATION OF CONTRACTUAL TERMS” (NOVELL’S COMPETING PROPOSED INSTRUCTION: NO. 7)**

SCO’s proposed jury instruction on interpretation of contractual terms reads as follows, with objectionable language in bold:

**SCO’S PROPOSED INSTRUCTION NO. 4: The Element of Copyright Ownership: Interpretation of Contractual Terms**

With respect to your consideration of the amended Asset Purchase Agreement, **and other agreements at issue here**, where contract terms are clear, they should be given their plain and ordinary meanings.

You should interpret a contract to give meaning to all of its provisions, instead of leaving a portion of the writing useless or inexplicable. You should not interpret a contract to render one of its terms meaningless.

You should interpret a contract as a whole, with each clause helping to interpret the other.

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<sup>3</sup> This erroneous instruction is particularly prejudicial in this case. As the Court found earlier on summary judgment, the undisputed evidence is that Novell took no affirmative action to give Santa Cruz possession of the physical certificates of registration. After the APA closed in December 1995, Santa Cruz came into physical possession of the UNIX copyright registrations “because they were kept in the business files of the UNIX unit in New Jersey, which transferred to Santa Cruz under the APA.” (MSJ Order at 14, Dkt. No. 377.) The UNIX registrations simply stayed in the same office in New Jersey through the ownership changes from AT&T to USL to Novell to Santa Cruz.



**A. “Other Agreements” Besides the Amended APA Are Not at Issue in this Litigation.**

The first sentence of SCO’s proposed instruction is vague and confusing because it advises the jury to consider “other agreements at issue.” To the extent that SCO means that the jury should consider the APA, Amendment No. 1, and Amendment No. 2, then Novell argues that the jury is already advised of this by the use of the term “amended Asset Purchase Agreement” in the sentence.<sup>4</sup>

On the other hand, if SCO intends with this language to advise the jury as to the interpretation of any terms of *any* contract, then Novell contends that the instruction should simply state “the agreements at issue here,” excising the confusing references to both the amended APA and the vague term “other agreements.” Thus, such language would read:<sup>5</sup>

With respect to your consideration of the ~~amended Asset Purchase Agreement, and other~~ agreements at issue here, where contract terms are clear, they should be given their plain and ordinary meanings.

There are no other agreements directly at issue in this case, as the parties’ claims are solely directed at the amended APA. (SCO’s Trial Brief at 5, Dkt. No. 742 (“SCO claims that the APA, as clarified by amendment, transferred the copyrights.”); *SCO Group*, 578 F.3d at 1210-11 (“Therefore, we construe the contract and Amendment No. 2 together for the purpose of assessing any ambiguities in the contract.”).) This reference is incorrect and misleading.

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<sup>4</sup> Alternatively, Novell has no objection to explicitly instructing the jury as to these three documents as follows:

With respect to your consideration of the ~~amended Asset Purchase Agreement, Amendment No. 1, and Amendment No. 2, and other~~ agreements at issue here, where contract terms are clear, they should be given their plain and ordinary meanings.

<sup>5</sup> Additions to SCO’s proposed instruction are underlined (like this), and deletions are marked with a line through the text (~~like this~~).

**B. Novell’s Proposed Instruction No. 7 Should Be Combined with SCO’s Proposed Instruction.**

Novell does not object to the remainder of SCO’s proposed instruction, and proposes that the second paragraph of Novell’s Proposed Instruction No. 7 on contractual interpretation be added to SCO’s language. This addition will also serve as a segue to the following instruction on extrinsic evidence. Thus, Novell proposes a combined instruction to read as follows:

**PROPOSED INSTRUCTION NO. \_\_: ~~The Element of Copyright Ownership~~: Interpretation of Contractual Terms**

With respect to your consideration of the ~~amended Asset Purchase Agreement, and other agreements~~ at issue here, where contract terms are clear, they should be given their plain and ordinary meanings.

You should interpret a contract to give meaning to all of its provisions, instead of leaving a portion of the writing useless or inexplicable. You should not interpret a contract to render one of its terms meaningless.

You should interpret a contract as a whole, with each clause helping to interpret the other.

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.”

Novell’s proposed language that the starting point of interpretation must be the actual words used in the contract finds support in the *Heidlebaugh v. Miller* case, cited by SCO in its proposed jury instruction. 271 P.2d 557, 559 (Cal. Ct. App. 1954). There, the court stated, “[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.” *Id.* Furthermore, contract interpretation begins with the language of the contract. *So. Cal. Edison Co. v. Superior Ct. of Los Angeles*, 37 Cal. App. 4th 839, 847-48, 44 Cal. Rptr. 2d 227 (Cal. Ct. App. 1995) (“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. . . .the second question [is] what did the parties intend the *language* to mean?") (emphasis added) (citations omitted).

V. **SCO'S PROPOSED INSTRUCTION NO. 5: "THE ELEMENT OF COPYRIGHT OWNERSHIP: EXTRINSIC EVIDENCE" (NOVELL'S COMPETING PROPOSED INSTRUCTION: NO. 8)**

SCO's proposed jury instruction on extrinsic evidence reads as follows, with objectionable language in bold:

**SCO'S PROPOSED INSTRUCTION NO. 5: The Element of Copyright Ownership: Extrinsic Evidence**

With respect to who owns the property at issue, you **should** consider what is called the "extrinsic evidence" of the intent of the parties to the amended Asset Purchase Agreement. The "extrinsic evidence" is the evidence of what parties to a contract intended apart from the language they used in the contract.

**Extrinsic evidence can aid you in determining the circumstances under which the parties negotiated a contract.**

**The evidence of the business negotiators' intent concerning the Asset Purchase Agreement and Amendment No. 2 is relevant.** Such evidence may take the form of witness testimony or documentary evidence of what they said or did or understood at the time of the transaction.

Another type of extrinsic evidence is called the parties' "course of performance." Course of performance is how, as a practical matter, the parties' interpreted and applied the terms of the contract in the years after the contract was signed.

**Indeed, the practical construction the parties placed upon the combined Asset Purchase Agreement and Amendment No. 2 is the best evidence of their intention. That is because parties are far less likely to have been mistaken as to the intention of their contract during the period while harmonious and practical construction reflects that intention, than they are when subsequent differences have impelled them to resort to law, and when one of them then seeks a construction at variance with the practical construction they have placed upon it.**

**Another type of relevant extrinsic evidence is the customs or practices within a particular field or industry. You may**

**consider the testimony of either laypersons or experts in assessing any such customs or practices.**

**A. SCO's Instruction Implies the Jury is *Required* to Consider Extrinsic Evidence.**

SCO's proposed language improperly states to the jury, "you should" consider extrinsic evidence of the parties' intent. This language is legally incorrect because (i) it improperly informs jurors that they are *required* to consider extrinsic evidence and (ii) does not limit the consideration of extrinsic evidence to the interpretation of ambiguous terms of the contract. *SCO Group*, 578 F.3d at 1210 ("California law *permits* the use of extrinsic evidence to expose 'a latent ambiguity' . . . Thus, 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.") (emphasis added) (citations omitted). As a solution to these deficiencies, the Court should replace the word "should" with "are allowed to," and incorporate the first two paragraphs of Novell's Proposed Instruction No. 8 which explains the role of extrinsic evidence. Accordingly, the first paragraph would now read:

With respect to who owns the property at issue, you ~~should~~ are allowed to consider what is called the "extrinsic evidence" of the intent of the parties to the amended Asset Purchase Agreement. 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. The "Extrinsic evidence" is the evidence of what parties to a contract intended apart from the language they used in the contract.

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

**B. Extrinsic Evidence is not for the Purpose of Determining the Circumstances of the Parties' Negotiation.**

The second paragraph of SCO's proposed instruction should be excised because it is legally incorrect and confusing. SCO's statement that extrinsic evidence aids the jury in determining "the circumstances under which the parties negotiated the contract" contradicts

SCO's preceding and following statements that extrinsic evidence is evidence of the parties' intent. SCO cites to a case from the 1940s in support of this statement. *See Universal Sales Corp., Ltd. v. Cal. Press Mfg. Co.*, 128 P.2d 665, 671-72 (Cal. 1942) (the court may look at the circumstances surrounding the making of the agreement as a means to discover the parties' intended meaning of facially ambiguous language); *see also* Cal. Civ. Code § 1647. No authorities support SCO's statement in its proposed instruction that the purpose of extrinsic evidence is to "aid [the jury] in determining the circumstances under which the parties negotiated the contract." For these reasons, the second paragraph will confuse the jury and should be excised.

**C. SCO's Instruction Improperly Incorporates Uncontroverted Facts into a Legal Conclusion.**

The first sentence of the third paragraph of SCO's proposed instruction improperly instructs the jury on the Tenth Circuit's factual finding regarding Amendment No. 2. The purpose of a jury instruction is to instruct on the applicable law, not to recite facts. (*See* Pretrial Order at 3, Dkt. No. 731.) "Pulling sentences out of a lengthy judicial opinion without the surrounding context elevates those snippets above other evidence the jury will hear, guarantees confusion, and creates prejudice." (Order Denying Def.'s Request for Judicial Notice of Prior Factual Findings at 3, Dkt. No. 763.) As this Court has held, the relevance of these findings is "substantially outweighed by their prejudicial effect and their potential to confuse and mislead the jury under Fed. R. Evid. 403." (*Id.*) Additionally, this sentence improperly elevates the role of "business negotiators" above that of other negotiators to the amended APA.<sup>6</sup> Accordingly, the sentence should be removed.

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<sup>6</sup> The parties have used the term "amended APA" to refer to the APA, Amendment No. 1, and Amendment No. 2. However, in this instruction, SCO repeatedly refers to "the Asset Purchase Agreement and Amendment No. 2." To the extent that SCO wishes to list the documents separately in reference to the *combined* agreement, Amendment No. 1 should be included in this list.

**D. SCO's Instruction Regarding Course of Performance is Highly Prejudicial and Confusing.**

The fourth and fifth paragraphs of SCO's proposed instruction discuss the course of performance in language that will mislead and confuse the jury. First, SCO's statement that the parties' course of conduct is "the best evidence of their intention" is highly prejudicial and an overstatement of the law. In *So. Cal. Edison Co. v. Superior Ct. of Los Angeles*, a case cited by the California Model Jury Instructions, the court stated "[w]e emphasize the conduct of one party to the contract is by no means conclusive evidence as to the meaning of the contract." 37 Cal. App. 4th 839 (Cal. Ct. App. 1995) (quoted in comment to CACI 318 (2010)). SCO's statement that parties are "far less likely" to have been mistaken as to the intention of their contract is argumentative and unsupported by the authorities SCO cites.

Second, SCO's proposed language goes on at length to describe course of conduct, and does so in legal terms that will likely confuse the jury (the jury is unlikely to understand what "practical construction" means, for instance). The last two paragraphs of Novell's Proposed Jury Instruction No. 8 more neutrally and clearly lay out the two kinds of extrinsic evidence, and describe course of performance in language that tracks the California Model Instruction. *See* CACI 318 (jury instruction simply stating "In deciding what the words in a contract meant to the parties, you may consider how the parties acted after the contract was created but before any disagreement between the parties arose."). The court should substitute Novell's last two paragraphs with SCO's fourth and fifth paragraphs.

**E. SCO's Instruction Regarding Industry Practice and Expert Witnesses Is Argumentative and Legally Incorrect.**

SCO's final paragraph is misleading because it implies that industry practice is extrinsic evidence of the parties' intent. This is not so. First, none of SCO's cited authorities support this paragraph. *Perhaps* industry practice may shed light on the meaning of words that are otherwise ambiguous on their face, but may have a particular meaning within a particular industry. *See* Cal.

Civ. Code § 1645 (2009) (technical words are to be interpreted as usually understood by persons in the profession or business to which they relate, unless clearly used in a different sense). SCO's instruction fails to point this out and would have the jury incorrectly believe that the parties' intent may be determined by the testimony of an expert witness or even lay witnesses who were not involved in the negotiation of the contract. This paragraph is highly argumentative and prejudicial and should not be offered to the jury.

**VI. SCO'S PROPOSED INSTRUCTION NO. 6: "THE ELEMENT OF COPYRIGHT OWNERSHIP: RELEVANCE OF COPYRIGHT OWNERSHIP" (NOVELL'S COMPETING PROPOSED INSTRUCTION: NOS. 10-12)**

SCO's proposed jury instruction on the relevance of copyright ownership reads as follows, with objectionable language in bold:

**SCO'S PROPOSED INSTRUCTION NO. 6: The Element of Copyright Ownership: Relevance of Copyright Ownership**

**With respect to who owns the property at issue, and your consideration of the amended Asset Purchase Agreement, you should consider the nature of a copyright.**

**Copyright is the exclusive right to copy. The owner of a copyright has the exclusive right to make and distribute copies of the copyrighted work, to display publicly the copyrighted work, and to license the right to use the copyrighted work to other people. The owner of a copyright also has the exclusive right to bring claims in court to enforce the copyright against people who are infringing on the copyright. The owner can also license that right to someone else, but only through an express, exclusive license.**

You therefore **should** also consider the issue of a "license" to use copyrighted material. There are different types of licenses. One distinction is between "express" and "implied" licenses.

**An "express" license is found in a contract that clearly states that one party to the contract has a "license."**

**An "implied" license is found in a contract that does not use the word "license," but from whose terms you can conclude that one party has the right to use the copyrighted material.**

**Implied licenses usually are found where one party has created a work at the other's request and handed it over, intending that the other copy and distribute it.**

Another distinction, **which is related to the difference between an "express" and an "implied" license**, is the difference between an "exclusive" and a "non-exclusive" license to use copyrighted material.

**An exclusive license means that only the exclusive licensee can use the copyrighted material, whereas an implied license means that several licensees can use the copyrighted material.**

**The distinction between an "exclusive" and a "non-exclusive" license to use copyrighted material is relevant for two main reasons.**

**First, an implied license can only be non-exclusive.**

**Second, an implied licensee, because he is a non-exclusive licensee, cannot bring lawsuits to enforce the copyrights against people who may be violating them.**

**A. The Jury Should Not Be Instructed as to what *Is* Relevant and what it *Should* Consider.**

The entire first paragraph appears to have no purpose other than that stated in SCO's title for this instruction: to convince the jury of the "Relevance of Copyright Ownership." As such, the paragraph is argumentative and should not be given. The ninth paragraph ("The distinction between an 'exclusive' and a 'non-exclusive' license ... is relevant for two main reasons") is likewise pure argument that has no place in a jury instruction and should not be given.

If the first paragraph of this instruction *is* given, "should" should be changed to "may" so that the jury is told what they may consider, rather than what they should consider. For the same reason, "should" should be changed to "may" in the third paragraph, if that instruction is given.

**B. SCO's Second Paragraph, Enumerating the Exclusive Rights of a Copyright Owner, Fails to Conform to the Language of the Statute and the Model Instruction.**

The second paragraph of SCO's instruction fails to set forth the applicable law in neutral, unbiased terms, and is an incomplete statement of the law. This paragraph essentially lists the



exclusive rights set forth in 17 U.S.C. § 106, but with improper and unsupported argumentative phrasing added. The Court should instead adopt Novell’s proposed instruction defining a copyright, which tracks the language of the statute and the Ninth Circuit Model Civil Jury Instructions, and includes clarification that the “owner” may include a “licensee.” (See Novell’s Proposed Instruction No. 10, Dkt. No. 740.)

**C. SCO’s Sixth Paragraph, Instructing on When Implied Licenses are “Usually Found” is Incomplete and Misleading.**

SCO’s sixth paragraph is incomplete and therefore misleading. While an implied license may be found in the situation where one party has created a work at the other’s request, this is not the only situation in which such a license can be found. More pertinent to this dispute, courts have also held that a contract involving copyrighted works confers an implied license to use the copyrights as needed to implement the transaction. See, e.g. *Foad Consulting Group, Inc. v. Musil Govan Azzalino*, 270 F.3d 821 (9th Cir. 2001) (holding that an agreement to prepare preliminary engineering drawings for a shopping mall granted conferred a license to use and modify the copyrighted drawings). Because a license can be inferred from the purpose of the contract, it would be misleading for the jury to be instructed that implied licenses “are usually found” only in other circumstances that are not relevant to this dispute.

If the Court is inclined to instruct the jury on the definition of an implied license, it should be clear that a license may be implied from the terms or the purpose of a contract.

**D. SCO’s Proposed Instructions Distinguishing and Interrelating Types of Licenses Are Unsupported and Inaccurate.**

The fourth, fifth, and eighth paragraphs of SCO’s instruction, attempting to define the difference between an “express” license and an “implied” license by reference to what is stated in a contract, and opining on the meaning of an “exclusive license” versus an “implied license” are without authority. SCO does not cite any model instruction or treatise, and none of its cases

has any similar language. As this lack of authority indicates, SCO's proposed instruction goes beyond basic legal principles and into argument.

SCO's seventh and eighth paragraphs would instruct the jury that the distinction between express and implied licenses tracks the distinction between exclusive and non-exclusive licenses. This appears to be not only unsupported but in fact contradicted by authority. *See, e.g., Papa's-June Music, Inc. v. McLean*, 921 F. Supp. 1154, 1159 (S.D.N.Y. 1996) ("it is not required that the writing explicitly mention 'copyright' or 'exclusive rights'").

Finally, SCO's proposed instruction in the last paragraph that "an implied licensee ... cannot bring lawsuits" appears to be an overstatement, or at least questionable. *See* Paul Goldstein, *Goldstein on Copyright* § 5.1.1, 5:6 (3d ed. 2007) (attached as Ex. 1) ("Courts are divided on whether the owner of a copyright or an exclusive right under copyright can assign an accrued cause of action for copyright infringement apart from the transfer of ... other rights.").

In contrast, Novell's proposed instruction regarding the divisibility of copyright ownership makes it clear, without excessive detail or argument, that each of the exclusive rights belonging to a copyright owner "may be transferred or licensed (on an exclusive or non-exclusive basis) to other parties." (Novell's Proposed Instruction No. 11 (Dkt. No. 740).)

**E. SCO's Instruction Contains Improper Argument to the Jury Regarding the Relevance of Certain Legal Principles.**

Both the title and the final three paragraphs of SCO's proposed instruction contain argument that is not appropriate for an instruction to the jury. As reflected in its title, the purpose of this instruction is to convince the jury of the "Relevance of Copyright Ownership." As for the final three paragraphs, even if SCO were able to support the distinction between an "exclusive" and a "non-exclusive" license it is attempting to articulate in the eighth paragraph, its proposal that the Court should tell the jury why this distinction is "relevant" is clearly improper. As with the entire proposed instruction, SCO's final three paragraphs fail to present

the applicable legal principles in a neutral way, framing them instead in a way that attempts to lead the jury toward a certain conclusion.

For the foregoing reasons, SCO's Proposed Instruction No. 6 should be rejected in favor of Novell's Proposed Instruction Nos. 10-11.

**VII. SCO'S PROPOSED INSTRUCTION NO. 7.1: "OPTIONAL INSTRUCTION IF COURT CHARGES ON FIRST AMENDMENT ISSUE" (NOVELL'S COMPETING PROPOSED INSTRUCTION: NO. 3)**

SCO's proposed alternate instruction<sup>7</sup> on actual malice reads as follows, with objectionable language in bold:

SCO'S PROPOSED INSTRUCTION NO.7.1: Optional Instruction  
If Court Charges on First Amendment Issue

**I will also ask you to determine whether the plaintiff has shown by clear and convincing evidence that the defendant has acted with what is called "actual malice."**

**A defendant has acted with actual malice when it published its statement either knowing that the statement was false or else was acting in reckless disregard of whether its statement was false, which means that the defendant acted with a high degree of awareness of the probable falsity of the statement, or that, at the time the statement was made, the defendant had serious doubts that the statement was true.**

**A. SCO's Instruction Fails to Explain the "Clear and Convincing Evidence" Standard.**

Novell objects that SCO's proposed "actual malice" instruction fails to explain what "clear and convincing evidence" means. Paragraph five of Novell's Proposed Instruction No. 3 ("Slander of Title—Constitutional Malice") is an instruction on this standard that is adapted from the Modern Federal Jury Instructions. (*See* Novell's Proposed Instruction No. 3 ¶5, Dkt. No.

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<sup>7</sup> SCO's Proposed Instruction No. 7 on common law malice is inapplicable because the Court has ruled that First Amendment Defenses apply to the parties' claims for slander of title, and that proof of constitutional malice is therefore required. (Order Granting Def.'s Mot. to Determine that First Amendment Defenses Apply to Slander of Title and Require Proof of Constitutional Malice at 13, Dkt. No. 762.)

740) (adapting language from 4 Modern Federal Jury Instructions: Civil § P 73.03.) Novell submits that this, or a similar instruction, must be included in any instruction on constitutional malice. *See 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.”)

**B. SCO’s Instruction Fails to Correct Confusion Likely to Arise Based on the Ordinary Meaning of the Term “Malice”.**

Novell further objects to SCO’s proposed “actual malice” instruction because it disregards Supreme Court authority that use of the term “malice” is likely to confuse the jury. The ordinary meaning of “malice” is reflected in the common law “malice” standard, and suggests that the defendant was motivated by spite or ill will. (*See* SCO’s Proposed Instruction No. 7, Dkt. No. 743.) In contrast the “actual malice” inquiry focuses not on the speaker’s motivation, but on the speaker’s knowledge of the truth or falsity of the statement.

Recognizing that confusion is likely, two Supreme Court cases suggest that the best practice is to avoid use of the term “actual malice,” and to instruct the jury accordingly. *See 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 . . . . 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.”) (citations omitted); *Harte-Hanks Commc’ns, Inc. v. Connaughton*, 491 U.S. 657, 665-668, n.7 (1989) (“The phrase ‘actual malice’ is unfortunately confusing in that it has nothing to do with bad motive or ill will. By instructing the jury ‘in plain English’ at appropriate times during the course of the trial concerning the not-so-plain meaning of this phrase, the trial judge can help ensure that the *New York Times* standard is properly applied.”). Other courts agree. *See, e.g., Westmoreland v. CBS Inc.*, 596 F. Supp. 1170, 1172-

1173, n.1 (S.D.N.Y.1984) (suggesting that jury confusion can be minimized if a less confusing phrase, such as ‘state-of-mind,’ ‘deliberate or reckless falsity,’ or ‘constitutional limitation’ is used in the jury’s presence) (citations omitted).

Novell has used the term “constitutional malice” in its Proposed Instruction No. 3 in order to emphasize that the applicable standard differs from what jurors might think of as ordinary, or actual, “malice,” while still linking it to the third element of a claim for slander of title, which uses the term “malice.” (*See* Joint Proposed Instruction No. 1, Dkt. No. 739) (setting forth elements). Because this solution only partly remedies the confusion, Novell submits that the fourth paragraph of its proposed instruction is necessary:

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.

(Novell’s Proposed Instruction No. 3 ¶4, Dkt. No. 740.) This instruction is in accordance, not only with Supreme Court law, but also with the Model Utah Jury Instructions. *See* MUJI – Civil 10.7 (“Intentional Torts/Defamation/Slander, Etc.”) (“Knowing falsehood or reckless disregard as to the truth or falsity does not require a finding of spite, ill will, hatred, bad faith, evil purpose or intent to harm”).

**VIII. SCO’S PROPOSED INSTRUCTION NO. 8: “THE DEFENSE OF PRIVILEGES”  
(NOVELL’S COMPETING PROPOSED INSTRUCTION: NO. 5)**

SCO’s proposed instruction on privileges reads as follows, with objectionable language in bold:

SCO’S PROPOSED INSTRUCTION NO. 8: The Defense of Privileges

A defendant to a claim for slander of title may assert what are called “privileges” to have made the statements at issue. **The defendant has the burden of proving that a privilege applies.**

That is, a publisher of statements may have what is called a “**conditional**” or “**qualified**” privilege to make those statements. There are several privileges which may be applicable.

The first privilege is the absolute privilege for litigation.

**The purpose of this privilege is to promote candid and honest communication between the parties and their counsel in order to resolve disputes.** Accordingly, the privilege generally applies to a party to a private litigation. **In order to find that this privilege applies, you must conclude that a party made its statements as part of candid and honest communication in order to resolve a potential or pending lawsuit between the parties.**

**The second privilege is the “legitimate interest” privilege.**

The purpose of this privilege is to permit a party to publish a statement where the recipient of the statement is one to whom the publisher is under a legal duty to publish the matter or is a person to whom its publication is otherwise within the generally accepted standards of decent conduct. In order to find that this privilege applies, you must conclude that a party was under a legal duty to publish its statements to the public or conclude that its publications of its statement to the public was within the generally accepted standards of decent conduct.

The third privilege is the “rival claim” privilege.

The purpose of that privilege is to permit a rival claimant to **disparage** another’s property by asserting an **inconsistent legally protected interest** in itself. The statement must be made honestly and in good faith.

#### **A. SCO’s Instruction Misallocates the Burden of Proof.**

SCO proposes to instruct the jury that “[t]he defendant has the burden of proving that a privilege applies.” This is incorrect in two respects. First, there is, properly speaking, *no* “burden of proof” with respect to whether the privileges apply because “[w]hether a statement is entitled to the protection of a conditional privilege presents a question of law.” *O’Connor v. Burningham*, 165 P.3d 1214, 1224 (Utah 2007). It is only “whether the holder of the privilege lost it due to abuse [that] presents a question of fact.” *Id.*

Second, the burden of proving absence (i.e., abuse) of privilege rests with the party asserting slander because the making of a publication “without privilege” is one of the elements of slander of title, *Dowse v. Doris Trust Co.*, 208 P.2d 956, 958-59 (Utah 1949). Thus, “[t]o state a claim for defamation, [the plaintiff] must show . . . that the statements were . . . not subject to any privilege.” *Thompson Newspapers*, 872 P.2d at 1007-08 (“To state a claim for defamation, he must show . . . that the statements were . . . not subject to any privilege”); see also *Brehany v. Nordstrom, Inc.*, 812 P.2d 49, 58 (Utah 1991) (“If a qualified privilege exists, the burden is on the plaintiff to prove that the privilege was abused”); *Stockton Newspapers, Inc. v. Superior Ct.*, 206 Cal. App. 3d 966, 976, 254 Cal. Rptr. 389 (1988) (“A libel is a ‘false and unprivileged publication. . . .’ (§ 45.) By this definition, the absence of a privilege is an element of the tort. A claim of privilege thus constitutes a direct attack upon the tort.”), *disapproved on other grounds, Brown v. Kelly Broadcasting Co.*, 771 P.2d 406 (Cal. 1989).

This misallocation infects SCO’s entire instruction because it is repeated, implicitly or explicitly, for each privilege. Novell’s proposed instruction no. 7, by contrast, correctly states the burden of proof. Accordingly, SCO’s proposed instruction should be rejected, in favor of Novell’s.

**B. SCO’s Instruction Is Likely to Confuse the Jury with Respect to the Absolute Character of the Litigation Privilege.**

In the second paragraph, SCO’s instruction introduces privileges generally as “‘conditional’ or ‘qualified.’” Because the litigation privilege is absolute, SCO’s blanket characterization of privileges as “‘conditional’ or ‘qualified’” is likely to cause confusion. See *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.”). Thus the phrase “‘conditional’ or ‘qualified’” should be removed, if this paragraph is used.

**C. SCO’s Instruction Incorrectly Characterizes the Litigation Privilege.**

SCO’s instruction limits the litigation privilege to “candid and honest communications” made “in order to resolve disputes.” That is not the law. The law is that the litigation privilege “protects a party . . . from liability for defamation *irrespective of his purpose* in publishing the defamatory matter, of his belief in its truth or even his knowledge of its falsity.” *Hansen v. Kohler*, 550 P.2d 186, 190 (Utah 1976). Accordingly, the first and last sentences of the fourth paragraph should not be included in any instruction.

**D. SCO’s Instruction Fails to Distinguish the Recipient’s Interest and Publisher’s Interest Privileges, and Does Not Adequately Explain Either.**

SCO’s instruction references a generic “‘legitimate interest’ privilege.” There are in fact three distinct privileges that might go by that name: the publisher’s interest, recipient’s interest, and common interest privileges. *See Brehany*, 812 P.2d at 58. Novell’s proposed instruction no. 7, by contrast, properly distinguishes and recognizes the privilege at issue as the recipient’s interest privilege.

Also, SCO’s instruction leaves the jury ignorant as to the meaning of the phrase “legitimate interest.” Novell’s instruction, by contrast, provides instruction to the jury about the meaning of a “legitimate interest” consistent with the Restatement (Second) of Torts § 595 cmt. d (2009) (“[A] statement made for the protection of a lawful business, professional, property, or other pecuniary interest . . . comes within the rule stated in this Section.”).

Thus Novell’s instructions regarding the recipient’s interest privilege should be sued, instead.

**E. SCO’s Instruction Uses Confusing Legal Terminology to Explain the Rival Claimant’s Privilege.**

SCO’s proposed instruction on the rival claimant’s privilege clouds the application of this privilege in complex terms and legalese, using terms such as “disparage” and “inconsistent legally protected interest.” *See* Model Utah Jury Instructions 2d, Introduction (“accuracy is



meaningless if the statement is not understood – or is misunderstood – by jurors”). Moreover, use of the phrase “legally protected interest” is ambiguous: it might mean (or be understood) to require that only a claimant who actually has a legally protected interest, as opposed to a party that honestly believes it has such an interest, can assert the privilege. Novell’s proposed instruction no. 7 avoids these pitfalls and should be used, instead.

#### **F. SCO’s Instruction Omits the *Noerr-Pennington* Privilege.**

Novell is entitled to an instruction that statements made in applications for copyright registration are a privileged exercise of Novell’s right to petition the government. The Court denied Novell’s motion in limine on this topic because it analogized the filing of an application for copyright registration to “cases where the recording of instruments claiming a property interest forms the basis of a slander of title action.” (Order at 2, Dkt. 725 (*citing Olsen v. Kidman*, 235 P.2d 510, 511 (Utah 1951).)

In deciding whether a particular type of conduct is petitioning activity for *Noerr-Pennington* purposes, it is critical to distinguish between activities in which the government acts or renders a decision only after an independent review of the merits of a petition and activities in which the government acts in a merely ministerial or non-discretionary capacity in direct reliance on the representations made by private parties.

*In re Buspirone Patent Litig.*, 185 F. Supp.2d 363, 369 (S.D.N.Y. 2002). The recordation of property interests, as in *Olsen*, falls within the latter category. *See Grand County v. Rogers*, 2002 UT 25, ¶ 25, 44 P.3d 734, 740 (Utah 2002) (“[R]ecorders are required by law to promptly record *all instruments*.”) (emphasis added).<sup>8</sup> However, applications for copyright registration are

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<sup>8</sup> SCO’s previously submitted cases attempting to show that the *Noerr-Pennington* doctrine is inapplicable to applications for copyright registration are inapposite for similar reasons. *See In re Buspirone*, 185 F. Supp. 2d at 371 (FDA was “required by law to publish the information,” and “FDA’s actions are non-discretionary”); *Organon, Inc. v. Mylan Pharms., Inc.*, 293 F. Supp. 2d 453, 458–59 (D.N.J. 2003) (same); *Litton Sys., Inc. v. Am. Tel. & Tel. Co.*, 700 F.2d 785 (2d Cir. 1983) (decision to impose tariff was made by private party not through government decision making).

examined and evaluated for copyrightable subject matter, and the Copyright Office has discretion to deny registration.<sup>9</sup> Thus, the *Noerr-Pennington* doctrine applies to Novell’s applications, and the jury should be instructed accordingly.

**IX. SCO’S PROPOSED INSTRUCTION NO. 9: “ABUSE OF PRIVILEGES”  
(NOVELL’S COMPETING PROPOSED INSTRUCTION: NO. 5)**

SCO’s proposed alternate jury instruction on abuse of privileges reads as follows, with objectionable language in bold:

SCO’S PROPOSED INSTRUCTION NO.9: Abuse of Privileges

Although you may find that the foregoing privileges exist, **where the disparaging statement was published maliciously or in bad faith, the defendant has published the matter without privilege to do so.**

That is, **no privilege applies if a party acted with malice** or otherwise transcended the scope of the privilege.

A defendant transcends the scope of the privilege if it excessively publishes the statement at issue or **acts inconsistent with the**

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<sup>9</sup> See 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*, § 108.01 (“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.”); *Norris Indus. v. Int’l Tel. & Tel. Corp.*, 696 F.2d 918, 922 (11th Cir. 1983) (noting that the “Supreme Court has accorded deference to the Register’s drawing of the line between ornamental and useful articles” and that the Copyright Office has “expertise in the interpretation of the law and its application to the facts presented by the copyright application”) (citation omitted); see also *Batjac Productions, Inc. v. Goodtimes Home Video Corp.*, 160 F.3d 1223 (9th Cir. 1998) (upholding Copyright Office refusal to register copyright in unpublished screenplay, because subject matter was committed to the public domain); *Brandir Int’l, Inc. v. Cascade Pac. Lumber Co.*, 834 F.2d 1142 (2d Cir. 1987) (upholding Copyright Office refusal to register copyright in bicycle rack, due to utility of subject matter); *Darden v. Peters*, 402 F. Supp. 2d 638 (E.D.N.C. 2005) (upholding Copyright Office refusal to register copyright in maps, because arrangement and minor modifications to census maps were not copyrightable subject matter)

**purpose** of the privilege. A statement is excessively published if it is published to more persons than the scope of the privilege requires to effectuate its purpose.

**A. Different Abuse Standards Apply to Different Privileges.**

SCO's proposed instruction incorrectly states a single standard of abuse for all three of the common law privileges asserted by Novell. That is not the law, as each of those privileges has its own conditions, explained below. Novell's proposed instruction no. 7, by contrast, properly relates each privilege to the applicable standards of abuse and should be used, instead.

**B. The Litigation Privilege Is Absolute.**

The litigation privilege is absolute. *Price*, 949 P.2d at 1256. Thus, contrary to SCO's proposed instruction, this privilege applies even if Novell "acted with malice" or "act[ed] inconsistent with the purpose of the privilege." *See Hansen*, 550 P.2d at 190 (litigation privilege "protects a party . . . *irrespective of his purpose* in publishing") (emphasis added).<sup>10</sup> Because SCO's instruction is contrary to governing law, it should not be used.

**C. SCO's Instruction Misstates the Abuse Standard for the Recipient's Interest Privilege.**

SCO's proposed instruction incorrectly suggests that conditional privileges are abused if spite or ill will is but one factor in a publication. Again, that is contrary to law. *See* Restatement (Second) of Torts § 603 cmt. a (1977) ("[A] publication of defamatory matter upon an occasion

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<sup>10</sup> In light of the Court's order denying Novell's Motion in Limine No. 7, Dkt. 704, Novell included instructions regarding the litigation privilege and loss thereof in its Proposed Jury Instructions as well. However, it remains Novell's contention that application of the litigation privilege is purely a question of law for the Court and is not a factual determination for the jury. In its order, the Court noted that the litigation privilege "may be lost due to excessive publication," citing *Krouse v. Bower*, 20 P.3d 895, 900 (Utah 2001); then cited *Brehany*, 812 P.2d at 58, for the proposition that excessive publication is a question of fact. (Order at 3, Dkt. No. 704.) *Krouse* is a litigation privilege case, while *Brehany* is a conditional privileges (publisher's interest) case. That distinction matters. As noted above, the litigation privilege is absolute. *Price*, 949 P.2d at 1256. Accordingly, whether a statement has been published beyond the scope of the litigation privilege is part of the legal determination that the privilege does or does not apply, and not a factual determination that the privilege has been lost by abuse. Thus, in *Krouse* it was the court that decided "that the letter was not excessively published," 20 P.3d at 901, and in *Pratt v. Nelson*, 2007 UT 41, ¶ 58, 164 P.3d 366 (Utah 2007), it was—again—the court that decided the privilege did not apply because communications had been excessively published.

giving rise to a privilege, if made *solely* from spite or ill will, is an abuse and not a use of the privilege.”) (emphasis added).

Also, SCO’s instruction incorrectly suggests that excessive publication destroys the privilege altogether. In point of fact, excessive publication exposes the publisher only to liability for injury flowing from the excessive publication. *See* Restatement (Second) of Torts § 599 cmt. b (1977). Because SCO’s instruction is inaccurate and incomplete, Novell’s should be given instead.

**D. SCO’s Instruction Misstates the Standard for Abuse of the Rival Claimant’s Privilege.**

Instead of the malice inquiry relevant to the recipient’s interest privilege, the rival claimant’s privilege is abused only if the publisher “did not believe in the possible validity of his claim.” Restatement (Second) of Torts § 647 cmt. d. Moreover, because a rival claimant is privileged to publish its interest to prospective purchasers, *see id.* § 647 cmt. f, and SCO cannot have been injured by publication to anyone but prospective purchasers, *see id.* at § 599 cmt. b, the jury should not be instructed with respect to excessive publication in connection with the rival claimant’s privilege.

**X. SCO’S PROPOSED INSTRUCTION NO. 10: “THE ELEMENT OF DAMAGES ON SLANDER OF TITLE” (NOVELL’S COMPETING PROPOSED INSTRUCTION: NO. 4)**

SCO’s proposed jury instruction on special damages reads as follows, with objectionable language in bold:

**SCO’S PROPOSED INSTRUCTION NO.10: The Element of Damages on Slander of Title**

The final element of a claim for slander of title is that the defendant’s statements have caused the plaintiff to suffer “special damages.”

A defendant's conduct has "caused" the plaintiff's damages where the defendant's conduct was **a substantial factor** in causing such damages.

The special damage rule requires the plaintiff to establish **pecuniary** loss that has been realized or liquidated, as in the case of specific lost sales. Damages are ordinarily proved in a slander of title action by evidence of a lost sale or the loss of some other **pecuniary** advantage. Absent a specific monetary loss flowing from a slander affecting the saleability or use of the property, there is no damage.

Plaintiff's pecuniary loss may be established by proof that the loss **has resulted from the conduct of a number of persons whom it is impossible specifically to identify.**

**A. SCO's Instruction Omits and Obscures the Critical But-For Requirement.**

SCO's theory is that it was harmed by Novell's statements because those statements dissuaded a number of persons whom SCO cannot identify from buying SCOsource licenses. This Court has already ruled that SCO must prove that Novell's actions "were the 'direct and immediate' cause of those lost sales." (Order on Mot. for Summ. J. on Failure to Establish Special Damages at 11-12, Dkt. No. 621.)<sup>11</sup> But there will be evidence presented at trial that any lost sales alleged by SCO were not directly and immediately caused by Novell's actions but were instead caused by other factors. In the face of that evidence, to prevail, SCO must present its own evidence "eliminating other causes," "eliminating all other reasonably likely causes," and "eliminating other explanations" for its lost sales. Restatement (Second) of Torts § 633 cmt. h<sup>12</sup>;

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<sup>11</sup> Novell is entitled to an instruction correctly stating the but-for standard set forth in its Proposed Instruction No. 4. But if such language is not included, then at a minimum, the jury should be instructed that special damages must be a "direct and immediate" result of the slander.

<sup>12</sup> In full, with emphasis added:

Widely disseminated injurious falsehood may, however, cause serious and genuine pecuniary loss by affecting the conduct of a number of persons whom the plaintiff is unable to identify and so depriving him of a market that he would otherwise have found. When this can be shown with reasonable certainty, the rule requiring the identification of specific purchasers is relaxed and recovery is permitted for the loss of the market. As in analogous cases involving the loss of profits of an established business, as the result of

*see also Dowse*, 208 P.2d at 959 (“slander of title is based on a wrongful act *but for which* the plaintiff would not have had to incur any expense”) (emphasis added). SCO’s proposed instruction omits this critical but-for requirement and obscures it with the less explicit phrase “substantial factor.”

The only model instruction Novell has found using “substantial factor” in connection with injurious falsehood clarifies the concept’s application by explaining that “when the injury claimed is the loss of a prospective advantage, it must be shown that *but for* the words or act the advantage would have in fact materialized,” and “general proof of loss of customers is not sufficient.” *N.Y. Pattern Jury Instr. Civil* 3:55 at 4, “Injurious Falsehood” (emphasis added) (attached as Ex. 2); *see also Soule v. GMC*, 822 P.2d 298, 311-12 (Cal. 1994) (“The general causation instruction ... correctly advised that plaintiff could not recover for a design defect unless it was a ‘substantial factor’ .... GM’s theory [was] that any such defect was *not* a ‘substantial factor’ ... because this particular accident would have broken plaintiff’s ankles in

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other torts or of breach of contract, this may be proved by circumstantial evidence showing that the loss has in fact occurred, and **eliminating other causes**.

Thus a tradesman whose goods are denounced by a newspaper as adulterated can prove the pecuniary loss necessary to recovery by showing that after the publication the sales of his goods, theretofore constant or increasing, have fallen off and **by eliminating all other reasonably likely causes**, such as new competition, a general decline in the market for such goods or defects in the goods themselves. So likewise, when a real estate development company is prevented from selling a particular lot of land by wide publication of the statement that its title to that lot is defective, it may be able to establish its loss by showing that similar lots held for sale by the company and its competitors were readily marketable, and **by eliminating other explanations**. Whether particular evidence of this kind is sufficient to sustain the plaintiff’s burden of proof as to his loss is a question of fact and is not within the scope of this Restatement.

If SCO were to try to prove *specific* lost sales, the same but-for requirement would apply. *See* Restatement (Second) of Torts § 633 cmt. g (2009) (“When the loss of a specific sale is relied on to establish pecuniary loss, it must be proved that the publication was a substantial factor influencing the specific, identified purchaser in his decision not to buy. ... [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.”)

any event. ... GM presented substantial evidence to that effect. GM was therefore entitled to its special instruction, and the trial court's refusal to give it was error.”).

Because there will be evidence of other causes for the lost sales alleged by SCO, the jury should be instructed, as proposed by Novell in its instruction no. 4, that “[t]he 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.”<sup>13</sup> 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).

**B. Confusing Terminology in SCO's Proposed Instruction Should Be Replaced.**

The term “pecuniary loss” should be replaced with the more ordinary phrase “economic loss.”

**XI. SCO'S PROPOSED INSTRUCTION NO. 11: “PUNITIVE DAMAGES”  
(NOVELL'S COMPETING PROPOSED INSTRUCTION: NONE)**

SCO's proposed jury instruction on punitive damages reads as follows, with objectionable language in bold:

SCO'S PROPOSED INSTRUCTION NO. 11: Punitive Damages

You are also entitled to award the plaintiff “punitive damages” if you deem them to be appropriate.

Before any award of punitive damages can be considered, the plaintiff must prove by clear and convincing evidence that the defendant published a false statement **knowing it was false or in reckless disregard of whether it was true or false, and that the defendant acted with hatred or ill will towards the plaintiff, or with an intent to injure the plaintiff, or acted willfully or maliciously toward the plaintiff.**

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<sup>13</sup> Novell's proposed instruction is also preferable because it clearly indicates which party carries the burden of proof, whereas SCO's does not.

If you find that plaintiff has presented **such proof**, you may deem it proper for punitive damages to be awarded, **in which case you should specify the amount. In determining the amount, you may award such sum as in your judgment would be reasonable and proper as a punishment to the defendant for its wrongs, and as a warning to others not to commit similar wrongs.**

Novell objects to SCO's Proposed Jury Instruction No. 11 on the grounds that it is not proper to instruct the jury on punitive damages and that SCO's modifications to the Model are misleading. Novell first objects that it is not appropriate to instruct the jury on punitive damages given that the Court has already determined that "there is no evidence that Novell's public statements [regarding copyright ownership] were based on anything but its good faith interpretation of the contracts." (Summ. Jgmt. Order at 64, Dkt. No. 377). Thus, the facts of the case do not support such an instruction.

In the alternative, if the Court determines that such an instruction is proper, SCO's proposed instruction selectively omits meaningful language on the punitive nature of these damages and confusingly rearranges the Model's language regarding the legal standard for punitive damages.

In the spirit of instructing the jury in a neutral and unbiased manner, if the Court determines a punitive damages instruction is necessary, then Novell argues that the Court should substitute the second and third paragraphs of SCO's proposed instruction with the complete language from the Model Utah Jury Instruction § 10.12, to read as follows:

Before any award of punitive damages can be considered, the plaintiff must prove by clear and convincing evidence that the defendant published a defamatory falsehood about the plaintiff, knowing it was false or in reckless disregard of whether it was true or false, and that the defendant acted with "personal malice" toward the plaintiff. Personal malice means that the defendant acted with hatred or ill will towards the plaintiff, or with an intent to injure the plaintiff, or acted willfully or maliciously towards the plaintiff.



If you find that the defendant published a defamatory falsehood about the plaintiff, knowing it was false or with reckless disregard of whether it was true or false, and acted with personal malice, you may award, if you deem it proper to do so, such sum as in your judgment would be reasonable and proper as a punishment to the defendant for such wrongs, and as a wholesome warning to others not to offend in like manner. If such punitive damages are given, you should award them with caution and you should keep in mind that they are only for the purpose just mentioned and are not the measure of actual damage.

Model Utah Jury Instr. (“MUJI”) § 10.12 (1st ed. 1993) (the 2010 Second Edition of MUJI does not include an instruction on punitive damages).

First, SCO selectively omits meaningful language from the second paragraph of the Model that instructs the jury that punitive damages are “not the measure of actual damage” and that punitive damages should be awarded “with caution” only for the purpose of punishment. This is important because without such language, the jury may be led to incorrectly believe that punitive damages result directly from simple liability for slander of title, rather than resulting from a separate public policy goal.<sup>14</sup> The misleading nature of this omission is compounded by the fact that SCO did not propose a separate jury instruction explaining how to award tort damages. SCO only provides one instruction, No. 10, regarding the slander of title cause of action’s fourth element of special damages, but which does not explain the jury’s role in selecting a dollar amount for an award of actual damages.

Second, in the second sentence of SCO’s proposed instruction, SCO alters the punitive damages standard as stated in the Model in a manner that could potentially confuse the jury. As stated in the Model, the jury must first find *two* forms of malice in order to consider whether to award punitive damages. The jury must find (a) what the parties have called “constitutional malice” – knowledge of falsity or reckless disregard for the truth – and (b) what the Model calls

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<sup>14</sup> Regardless of which malice standard the Court determines applies in this case – constitutional malice or Utah’s malice standard – the Model requires the jury to find an additional element in order to consider whether punitive damages are appropriate. Thus, in order to even consider punitive damages, SCO is required to present additional evidence of malice beyond what is required for slander of title liability.

“personal malice.” As the Model explains, “[p]ersonal malice means that the defendant acted with hatred or ill will towards the plaintiff, or with an intent to injure the plaintiff, or acted willfully or maliciously towards the plaintiff.” MUJI §10.12. The second sentence of SCO’s proposed instruction is confusing because it lumps these two standards in one sentence, using several “and” and “or” conjunctions. The result is that it is unclear whether the standard requires one or two forms of malice.

For the foregoing reasons, Novell argues that this instruction is not supported by the facts of the case, and that the jury should not be instructed on punitive damages. If the Court deems it proper to so instruct the jury, however, SCO’s Proposed Instruction No. 11 is misleading and confusing. Novell argues that the complete language of the Model Utah Jury Instruction § 10.12 should be used instead.

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Respectfully submitted

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