

# **SCO v. IBM**

## **SCO's Summary Judgment Hearing Binder**

**IBM's Motion for Summary Judgment on  
SCO's Contract Claims (SCO's First, Second,  
Third and Fourth Causes of Action)**

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**SCO's Motion for Partial Summary  
Judgment on SCO's Third Cause of Action,  
for Breach of Contract (Dynix/ptx Claim)**

***United States District Court  
District of Utah  
Civil No.: 2:03CV – 0294DAK***

# Plain Language of Section 2.01 of Software Agreements Requires Protection of Derivative Works As Part of Original Software Product

**2.01 AT&T grants to LICENSEE a personal, nontransferable and nonexclusive right to use in the United States each SOFTWARE PRODUCT identified in the one or more Supplements hereto, solely for LICENSEE'S own internal business purposes and solely on or in conjunction with DESIGNATED CPUs for such SOFTWARE PRODUCT. Such right to use includes the right to modify such SOFTWARE PRODUCT and to prepare derivative works based on such SOFTWARE PRODUCT, provided the resulting materials are treated hereunder as part of the original SOFTWARE PRODUCT.**

# Plain Language of Sections 7.06 and 7.10 of Software Agreements Protects All Parts of Software Products and Methods and Concepts

7.06 (a) LICENSEE agrees that it shall hold all parts of the SOFTWARE PRODUCTS subject to this Agreement in confidence for AT&T. LICENSEE further agrees that it shall not make any disclosure of any or all of such SOFTWARE PRODUCTS (including methods or concepts utilized therein) to anyone, except to employees of LICENSEE to whom such disclosure is necessary to the use for which rights are granted hereunder. LICENSEE shall appropriately notify each employee to whom any such disclosure is made that such disclosure is made in confidence and shall be kept in confidence by such employee. If information relating to a SOFTWARE PRODUCT subject to this Agreement at any time becomes available without restriction to the general public by acts not attributable to LICENSEE or its employees, LICENSEE'S obligations under this section shall not apply to such information after such time.

(b) Notwithstanding the provisions of Section 7.06(a), LICENSEE may distribute copies of a SOFTWARE PRODUCT, either in modified or unmodified form, to third parties having licenses of equivalent scope herewith from AT&T (or a corporate affiliate thereof) for the same SOFTWARE PRODUCT, provided that LICENSEE first verifies the status of any such third party in accordance with specific instructions issued by AT&T. Such instructions may be obtained on request from AT&T at the correspondence address specified in Section 7.11(b). LICENSEE may also obtain materials based on a SOFTWARE PRODUCT subject to this Agreement from such a third party and use such materials pursuant to this Agreement, provided that LICENSEE treats such materials as if they were part of such SOFTWARE PRODUCT.

7.10 Except as provided in Section 7.06(b), nothing in this Agreement grants to LICENSEE the right to sell, lease or otherwise transfer or dispose of a SOFTWARE PRODUCT in whole or in part.

# Why a Trial Is Needed:

## Otis Wilson's Change of Opinion From BSD Case

### WILSON'S IBM DECLARATION

"IBM and Sequent are free, under the IBM Agreements and the Sequent Agreements, to open source all of AIX and Dynix/PTX other than those portions of the original UNIX System V source code included therein." (IBM Ex. 282 ¶ 28)

### WILSON'S TESTIMONY IN USL v. BERKELEY

"[A]nything created by the university with exposure to the licensed software, based on, contained, a part of, was a derivative work with regard to these documents and had to be treated as licensed software." (IBM Ex. 513 at 51.)

Confirmed truth of USL v. Berkeley testimony at deposition in this case. (IBM Ex. 346 at 49-55, 57-60, 72, 97-103, 105-06, 278-80.) Acknowledged no difference in AT&T's intent between standard commercial license agreement, such as Sequent, and educational license agreements at issue in USL v. Berkeley. (IBM Ex. 346 at 42-48.)

# Why a Trial Is Needed:

## Ira Kistenberg's Contradiction of His Prior IBM Declaration

### KISTENBERG'S IBM DECLARATION

"[N]o one at AT&T Technologies ever intended to assert ownership or control over any portion of a modification or derivative work that did not contain our licensed UNIX System V code."

### KISTENBERG'S DEPOSITION TESTIMONY

"I honestly remember telling [IBM Counsel], as far as my understanding was, that the UNIX software given to any of the licensees, anytime they used the source code to develop their derivative products, that that was part of the UNIX System V source code and they could not turn around and give it to XYZ company."

The software agreement "was intended to require licensees to hold in confidence for AT&T 'all parts' of the UNIX property subject to the license agreement (which, as I explained in the previous paragraph, included any modifications or derivatives based on the original licensed UNIX product). Section 7.06(a) was further intended to prohibit the disclosure of 'any or all' of such products to anyone, except to the employees of the licensee to whom such disclosure was necessary to the use for which AT&T granted rights under the license agreements."

# IBM's Declarants on Contract Interpretation Have Provided Contradictory and Disputed Testimony: Thomas Cronan

- **Cronan's IBM Declaration:**

- “As I recall, the AT&T Technologies representatives with whom we negotiated assured us that under the standard software agreement, IBM owned, and was permitted to use however we wanted, the modifications or derivative works that we created (or that others created for us) based on the UNIX System V software, **except for the UNIX System V source code that might be contained within our modifications or derivative works**. AT&T Technologies made clear to us that we could do whatever we wanted with our own original non-UNIX System V source code. ”

(IBM Ex. 178 ¶ 12)

- **Cronan's Deposition Testimony:**

Q: And the agreement required that any resulting materials be treated hereunder as part of the original software product. Was that also part of your understanding?

A: That is.

Q: Okay. And did you understand the term “resulting materials” to refer to the modifications or derivative works prepared pursuant to this right to modify or prepare derivative works?

A: Yeah . . .

Q: And those were required to be treated under the agreement as if they were part of the original license software product, correct?

A: That's correct. . . . A derivative work would be the combination of any change code, any added code, any modifications which would be, you know, specifically original code that was changed. **And in combination with the original code, that would be a derivative work.**

(Ex. SCO Ex. 80 at 37-38)

# IBM's Declarants on Contract Interpretation Have Provided Contradictory and Disputed Testimony: Stephen Vuksanovich

- **Vuksanovich's IBM Declaration:**

- “[W]e did not intend these provisions to restrict our licensees’ use, export, disclosure or transfer of any source code that our licensees developed on their own.”

(IBM Ex. 275 ¶ 12)

- **Vuksanovich's Deposition Testimony:**

Q: Under the software agreement, the licensee in this case, IBM, was given the right to modify and to prepare derivative works based on the software product, correct?

A: Right.

Q: And the agreement required that any resulting materials be treated hereunder as part of the original software product; is that right?

A: Right.

Q: Did you understand the term “resulting materials” to refer to the modifications or derivative works prepared pursuant to this right to modify or prepare derivative works?

A: Right.

Q: So if I understand your testimony, if there is a single line of UNIX source code in the modification or derivative work that IBM creates under this agreement, **then that modification or derivative work has to be treated like the software product that's been licensed under the agreement?**

**A: Right, right.**

(IBM Ex. 584 at 77-78)

# Multiple Key Witnesses Support SCO's Contract Interpretation

## **William Guffey**

**-Head of Software Services Division, including UNIX Licensing, AT&T (1980-1985)**

**“[T]he licensee was obligated to keep all parts of those modifications and derivative works confidential, including the methods and concepts embodied in those modifications and derivative works – just as the licensee was required to keep all parts of the UNIX software product confidential. (That was true even though the licensees owned those parts of the modifications and derivative works that the licensees had developed on their own, without reference or exposure to the UNIX software product.)”**

**“I believe that the members of my division and the other AT&T employees involved in licensing UNIX shared the foregoing understanding of the scope of the UNIX license agreements, because it was a common subject of training and discussion with AT&T.”**

**“I am not aware of any instance in which AT&T agreed (in any license agreement or any supplement, modification, or side letter thereto) to reduce its protection under a UNIX license so as to require the licensee to keep confidential only the UNIX source code.”**

# Multiple Key Witnesses Support SCO's Contract Interpretation

## James Judge

-UNIX Licensing Manager, Program Manager, AT&T, USL, and Novell (1986-1995)

**“My understanding has always been that the UNIX source code licensees were obligated to keep confidential all parts of the UNIX software product they had licensed. In addition, as clearly set forth in the standard source code license agreements, the licensees were obligated to keep confidential all parts of the modifications and derivative works those licensees developed based on the licensed UNIX software product.”**

**“To be clear, my understanding has always been that the UNIX source code licenses protected the full content of all of the ‘resulting materials’ created over time from the licensee's exercise of their contractual “right to modify” and “to prepare derivative works” based on the original UNIX software product. A product that includes any part of the licensed UNIX software product, or was developed with exposure to the software product, constitutes such a modification or derivative work.”**

**“My understanding has always been that none of [the licensee] side letters or amendments eliminated the foregoing, core protections of the UNIX licenses.”**

**“I never understood the UNIX source code licensees to afford any licensee any such right [as that claimed by IBM], I never said or suggested to any UNIX licensee that they had any such right, and I am not aware of any colleague saying or suggesting to any UNIX source code licensee that they had any such right.”**

# Subsequent UNIX Agreements With Third Parties Support SCO's Interpretation

**AT&T and USL continued protecting methods and concepts and the entirety of modifications and derivative works. In 1990, Otis Wilson signed three separate letter agreements directing licensees:**

You will not provide access to any copy of the source code of the SOFTWARE PRODUCT (including methods and concepts contained therein), in whole or in part, to anyone other than your organization's employees who have a need to know. (SCO Exs. 27-29.)

**In October 1991, Sequent licensed System V Verification Suite, Release 4.0 ("SVVS4") from USL. The Software Agreement provided:**

LICENSEE further agrees that it shall not make any disclosure of any or all of SVVS4 (including methods or concepts utilized therein) to anyone, except to employees and contractors of LICENSEE to whom such disclosure is necessary to the use for which rights are granted hereunder. (SCO Ex. 121 § 7.05(b).)

# Subsequent UNIX Agreements With Third Parties Support SCO's Interpretation

**USL protected methods and concepts and the entirety of modifications and derivative works. Its 1992-1993 agreements with Micro Resources and the Department of Commerce, provided:**

Such right to use includes the right to modify such SOFTWARE PRODUCT and to prepare derivative works based on such SOFTWARE PRODUCT, provided that any such modification or derivative work that contains any part of a SOFTWARE PRODUCT subject to this Agreement is treated hereunder the same as such SOFTWARE PRODUCT.

LICENSEE further agrees that it shall not make any disclosure of any or all of such SOFTWARE PRODUCTS (including methods or concepts utilized therein) to anyone, except to employees and contractors of LICENSEE to whom such disclosure is necessary to the use for which rights are granted hereunder. (SCO Ex. 122 §§ 2.01, 7.05(a).)

**Thus, those protections were in force seven years after they were allegedly suspended.**

# Subsequent UNIX Agreements With Third Parties Support SCO's Interpretation

**Novell protected methods and concepts and the entirety of modifications and derivative works. Its 1994 agreements with Green Hills Software, Computational Logic, and Loral Federal Systems, provided:**

Such right to use includes the right to modify such SOFTWARE PRODUCT and to prepare derivative works based on such SOFTWARE PRODUCT, provided that any such modification or derivative work that contains any part of a SOFTWARE PRODUCT subject to this Agreement is treated hereunder the same as such SOFTWARE PRODUCT.

LICENSEE further agrees that it shall not make any disclosure of any or all of such SOFTWARE PRODUCTS (including methods or concepts utilized therein) to anyone, except to employees and contractors of LICENSEE to whom such disclosure is necessary to the use for which rights are granted hereunder. (SCO Ex. 34; SCO Ex. 125; SCO Ex. 126 §§ 2.01, 7.05(a).)

**Thus, those protections were in force nine years after they were allegedly suspended.**

# Subsequent UNIX Agreements With Third Parties Support SCO's Interpretation

**Santa Cruz protected methods and concepts and the entirety of modifications and derivative works. Its 1997 agreements with Samsung and Cal Tech provided:**

Such right to use includes the right to modify such SOFTWARE PRODUCT and to prepare derivative works based on such SOFTWARE PRODUCT, provided that any such modification or derivative work that contains any part of a SOFTWARE PRODUCT subject to this Agreement is treated hereunder the same as such SOFTWARE PRODUCT.

LICENSEE further agrees that it shall not make any disclosure of any or all of such SOFTWARE PRODUCTS (including methods or concepts utilized therein) to anyone, except to [specified persons] of [LICENSEE] to whom such disclosure is necessary to the use for which rights are granted hereunder. (SCO Exs. 127-28 §§ 2.01, 7.05(a) (emphasis added).)

**Thus, those protections were in force twelve years after they were allegedly suspended.**

# **AIX and Dynix/ptx Are Protected Derivative Works of UNIX System V**

- **IBM and Sequent paid royalties on AIX and Dynix/ptx as derivative works for many years pursuant to the terms of their sublicensing agreements (SCO Ex. 44 ¶ 3)**
- **IBM and Sequent repeatedly admitted AIX and Dynix/ptx are UNIX derivative works**
  - Admitted by key AT&T and IBM employees at deposition
- **Expert testimony establishes that AIX and Dynix/ptx are UNIX derivative works**
  - SCO Computer Science and UNIX expert Marc Rochkind
  - SCO Computer Science and UNIX expert Evan Ivie

# Why Contract Claims Matter

## IBM Improperly Disclosed Numerous Lines of Code from Protected Technologies

**SCO has presented evidence of the following improper disclosures (among others):**

- **SCO identified approximately 160,000 lines of code contributed by IBM from its Journaling File System that are derived from System V code and improperly contributed to Linux. (SCO Final Disclosures, Item 1.)**
- **SCO identified about 1,200,000 lines of code in the form of test suites that IBM contributed to Linux development. (Id., Item Nos. 18, 113-142.)**
- **SCO identified 220,000 lines of code copied by IBM from System V and used improperly in multiple versions of AIX for Power. (Id., Item Nos. 194-205.)**
- **SCO identified about 5500 lines of RCU code contributed by IBM from Dynix/ptx Linux. (Id., Item No. 2.)**