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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

THE MAGNAVOX COMPANY,)
a Corporation, and)
SANDERS ASSOCIATES, INC.,) Civil Action No.
a Corporation,) C-82-5270-CAL
Plaintiffs,)
v.)
ACTIVISION, INC.,)
a Corporation,)
Defendant.)

MEMORANDUM IN SUPPORT OF PLAINTIFFS' MOTION FOR
RECONSIDERATION OF THE ORDER RE FURTHER PROCEEDINGS
OF MARCH 13, 1986 AND AMENDMENT OF THE JUDGMENT

Date: April 25, 1986
Time: 9:30 a.m.

1
2 I. INTRODUCTION

3 On March 13, 1986, this Court entered a Judgment,
4 Conclusions of Law, and an ORDER RE FURTHER PROCEEDINGS. The
5 Order disposes of various motions and requests that the parties
6 had filed after the Court entered Findings of Fact on December 27,
7 1985. In its Order, the Court declined to enter judgment on the
8 prayer for injunctive relief stating that the denial is without
9 prejudice to plaintiffs' raising the issue of injunctive relief
10 during the further proceedings in this case. It is submitted that
11 this action precludes the proper pursuit of an appeal in the case
12 because the Judgment is not a FINAL judgment, and the Judgment is
13 not in compliance with the jurisdictional requirement of 28 U.S.C.
14 §1292(c)(2).

15 The Judgment of this Court must address the prayer for
16 injunctive relief before the parties can appeal to the Court of
17 Appeals for the Federal Circuit. Additionally, the facts and
18 applicable law in the instant action indicate that the Judgment is
19 not final but for the accounting and that a permanent injunction
20 is dictated beyond peradventure.

21
22 II. THE JUDGMENT IS NOT APPEALABLE

- 23 A. Before The Parties Can Pursue An
24 Interlocutory Appeal Under 28 U.S.C.
25 §1292(c)(2), The Judgment Must Resolve
26 All Issues Except For An Accounting

27 Title 28 of the United States Code, § 1292(c)(2)
28 provides that:

1
2 The United States Court of Appeals for the
3 Federal Circuit shall have exclusive
4 jurisdiction of an appeal from a judgment in a
5 civil action for patent infringement which
6 would otherwise be appealable to the United
7 States Court of Appeals for the Federal Circuit
8 and is final except for an accounting. (Emphasis Added)

9 This exception must be read "in pari materia with
10 Section 1291's final judgment rule" and construed" in strict
11 accordance with the specific statutory language." American
12 Cyanamid Co. v. Lincoln Laboratories, Inc., 403 F.2d 486, 488, 159
13 U.S.P.Q. 577 (7th Cir. 1968). Of course, in patent cases 28
14 U.S.C. §1295 is operative and is to the same effect.

15 Thus, this Court must make a final determination on the
16 issue of permanent injunctive relief and include that
17 determination in its judgment for the adjudication to be final
18 except for the accounting. Stamicarbon, N.V. v. Escambia Chemical
19 Corp., 430 F.2d 920, 166 U.S.P.Q. 362 (5th Cir. 1970) Similarly,
20 under 1292(a)(1), the parties cannot appeal if the court merely
21 postpones a request for injunctive relief. Switzerland Cheese
22 Ass'n., Inc. v. E. Horne's Market, Inc., 385 U.S. 23 (1966);
23 Donovan v. Robbins, 752 F.2d 1170, 1173 (7th Cir. 1984).

24 In the Order which the Court entered on March 13, 1986,
25 it invited Magnavox to raise the issue of injunctive relief during
26 the accounting. Thus, it is clear from the terms of the Order
27 that the Court has not rendered a final judgment as to all issues
28 except for the accounting. As matters now stand the accounting is
stayed pending the outcome of the appeal, the injunctive relief
will be taken up during the accounting and the appeal cannot go

1 forward without a judgment on the prayer for injunctive relief.
2 Since this Court has not resolved the issue of injunctive relief,
3 the parties cannot pursue an interlocutory appeal and the case is
4 stymied.
5

6
7 III. INJUNCTIVE RELIEF IS APPROPRIATE NOW

8 A. A Permanent Injunction Will
9 Avoid The Needless Expenditure Of
10 The Judicial Resources And
11 Resources Of The Parties
12 In Any Future Proceedings

13 Without a permanent injunction, a patent holder, to
14 obtain relief for any future infringing activity by the party
15 adjudged an infringer must institute a new and separate suit.
16 Such multiplicity of actions needlessly wastes judicial resources
17 and the resources of the parties. KSM Fastening Systems, Inc. v.
18 H.A. Jones Co., Inc., 776 F.2d 1522, 227 U.S.P.Q. 676, 677 (Fed.
19 Cir. 1985).

20 The advantages of proceeding on the Judgment in the
21 completed action are manifest. If the new infringements are
22 substantially the same as those adjudicated, a motion to enforce
23 the original judgment provides substantial judicial economy. KSM
24 Fastening, 776 F.2d at 1524, 227 U.S.P.Q. at 677. Contempt
25 proceedings are generally summary in nature, and the Court may
26 make a decision on affidavits and exhibits without the formalities
27 of a full trial, although the movant bears the heavy burden of
28 proving violation by clear and convincing evidence. KSM Fastening,
776 F.2d at 1524, 227 U.S.P.Q. at 677.

1
2 Under an injunction, Activision would remain under the
3 jurisdiction of the Court. The Court could then summon it to
4 appear to respond on the merits, the contempt motion being merely
5 part of the original action. The benefits would not only accrue
6 to Magnavox but to Activision and this Court.

7 It has already become evident that the denial of a
8 permanent injunction in this action will cause needless
9 expenditure of judicial resources and the resources of the
10 parties. In a recently filed declaratory judgment action
11 involving the '507 patent, a third party, who is a potential
12 licensee, has asserted that the district court in that action
13 should not issue a preliminary injunction in favor of Magnavox on
14 the basis, inter alia, that this Court has not granted Magnavox an
15 injunction in its Judgment. Nintendo of America, Inc. v. The
16 Magnavox Company, Civil Action 86 CIV 1606, filed in the United
17 States District Court for the Southern District of New York on
18 February 24, 1986.

19 The courts have consistently recognized the injury to a
20 patent owner in its relationship with licensees and potential
21 licensees from the unrestrained activities of a competitor who is
22 infringing. If Activision is left free to infringe at will, after
23 three adjudications of validity and infringement, the injury to
24 Magnavox in its licensing program will be manifest and
25 substantial.

1
2 In an analogous situation involving trademark
3 infringement the United States District Court for the Southern
4 District of New York noted that at least one major licensee
5 testified that had he known of the unrestrained infringement, his
6 company would not have proceeded with the license and further
7 observed:

8 Similar fears would likely lead other
9 potential licensees to shy away from
10 licensing arrangements with plaintiff;
11 it is unnecessary at this stage of the
12 litigation for plaintiff to identify
13 such potential licensees to establish a
14 possibility of irreparable harm.

15 Playboy Enterprises, Inc. v. Chuckleberry Publishing, Inc., 486 F.
16 Supp. 414, 431, 206 U.S.P.Q. 70 (S.D.N.Y. 1980).

17 The reasoning of the court is clearly applicable in this
18 case, and Nintendo's contentions in the new action on the same
19 '507 patent confirm that fact. How many times should Magnavox be
20 required to relitigate without prompt satisfaction?

21 The Federal Circuit has also observed that the patent
22 owner can, as a result of infringement not compensable by money
23 damages, suffer injury which results from "inequity to present
24 licensees, and encouragement of infringement by others". In
25 granting a preliminary injunction in Atlas Powder Company v. Ireco
26 Chemicals, the Federal Circuit observed:

27 Ireco's arguments that infringement and
28 related damages are fully compensable in
money downplay the nature of the
statutory right to exclude others from
making, using, or selling the patented
invention throughout the United
States...The patent statute further
provides injunctive relief to preserve

1
2 the legal interests of the parties
3 against future infringement which may
4 have market effects never fully
5 compensable in money." (Emphasis in
6 original.)

7
8 Atlas Powder Co. v. Ireco Chemicals, 773 F.2d 1230, 1232, 1233,
9 227 U.S.P.Q. 289 (fed. Cir. 1985).

10
11 B. Once A Patent Is Judged Valid And
12 Infringed, Its Holder Is Ordinarily
13 Entitled To Injunctive Relief

14 District Court's have uniformly held that once a patent
15 is judged valid and infringed, its holder is entitled to
16 injunctive relief. Smith International, Inc. v. Hughes Tool
17 Company, 718 F.2d 1573, 219 U.S.P.Q. 686 (Fed. Cir. 1983);
18 Polaroid Corp. v. Eastman Kodak Co., 228 U.S.P.Q. 305, 344(D.Mass.
19 1985). Injunctive relief against an infringer is the norm. KSM
20 Fastening Systems, Inc. 776 F.2d at 1524, 227 U.S.P.Q. at 677.
21 Moreover, the refusal of an injunction, and thus the acceptance of
22 the risk of future infringement, may be warranted only when the
23 Court clearly cannot anticipate the possibility of any future
24 infringement. Square Liner 360° Inc. v. Chisum, 215 U.S.P.Q.
25 1110, 1121 (D. Minn. 1981), aff'd in part, vacated in part, 691
26 F.2d 362, 216 U.S.P.Q. 666 (8th Cir. 1982).

27 Here, Magnavox has not only established validity and
28 infringement but has shown, and the Court has found, that the '507
patent has been extensively licensed in this country, Magnavox has
received large amounts of royalty income from the '507 patent and

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2 the '507 patent has been commercially successful. As is clear
3 from the case authorities, such a licensing posture makes
4 injunctive relief of great importance to the patent owner.

5 There is absolutely no assurance that Activision will
6 not continue, or resume, its infringing activity. To the
7 contrary, all indications are that there is a very real possibility
8 that Activision will expand, not abandon, its video game business.
9 Magnavox has submitted a copy of the relevant portion of the
10 February 3, 1986 issue of Television Digest, Volume. 26, No. 5
11 which states the following:

12 VIDEO GAMES RECOVERING: Home video game market
13 experienced mini-rebirth last Christmas,
14 according to Atari, which says that as a result
15 its resuming production of 7800 game console,
16 which is essentially old 800 model computer
17 without keyboard, and will launch promotion for
18 it and continuing basic 2600 game this Spring.

19 Company claims it sold million 2600 consoles
20 last year, could have moved 500,000 more if it
21 had inventory. ...

22 Spokeswoman at Activision, software supplier
23 that now concentrates on computer programs,
24 said that while company recognizes increased
25 interest in games and has been selling some
26 products from inventory, it has no plan to
27 resume cartridge production. Should
28 significant demand for games develop,
Activision could start manufacturing again or
might license game rights to another marketer.
(Emphasis Added).

29 This belies any implication in the papers on file that Activision
30 is permanently out of the video game business.

1
2 IV. CONCLUSION

3 Magnavox has the statutory right to exclude others from
4 making, using or selling the patented invention. It has also
5 proved and the Court has found that Activision is an infringer of
6 the '507 patent. Furthermore, Activision, like others before it,
7 has failed to prove that the '507 patent is invalid. Magnavox has
8 shown that Activision has no real commitment to discontinue
9 infringing the '507 patent. Magnavox has also shown that it will
10 suffer a great deal of unnecessary hardship, injury and expense in
11 instituting actions against potential licensees and against
12 Activision for future infringement.

13 In contrast, Activision has not introduced any reason,
14 either at trial or thereafter, why this Court should not enter a
15 permanent injunction. Activision had every opportunity to put in
16 such evidence at trial if it had seen fit.

17 For the reasons stated above, reconsideration of this
18 Court's Order of March 13, 1986 and entry of a permanent
19 injunction against Activision is appropriate and in the interest
20 of justice. Resolution of the issue of injunctive relief is a
21 necessary part of the Judgment before the parties can perfect an
22 appeal.

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Dated: March 24, 1986

Respectfully submitted,

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