

NEUMAN, WILLIAMS, ANDERSON & OLSON

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OLE

COPY



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December 6, 1984

Thomas A. Briody, Esquire
Corporate Patent Counsel
North American Philips Corporation
580 White Plains Road
Tarrytown, New York 10591

Re: Magnavox et al. v. Activision
L3137

Dear Tom:

Enclosed are copies of the following documents which were recently received:

- PRETRIAL STATEMENT OF DEFENDANT ACTIVISION, INC.;
- PRETRIAL STATEMENT OF ACTIVISION, INC. REGARDING DISPUTED FACTUAL ISSUES (Local Rule 235-7(e));
- PRETRIAL STATEMENT OF ACTIVISION, INC. REGARDING UNDISPUTED FACTS (Local Rule 235-7(d));
- PRETRIAL STATEMENT OF ACTIVISION, INC. REGARDING DISPUTED POINTS OF LAW (Local Rule 235-7(g));
- PRETRIAL STATEMENT OF ACTIVISION, INC. REGARDING UNDISPUTED POINTS OF LAW (Local Rule 235-7); and
- PRETRIAL STATEMENT OF ACTIVISION, INC. REGARDING EXHIBITS, SCHEDULES, AND SUMMARIES Local Rule 235-7(j).

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Also enclosed are copies of:

PLAINTIFFS' EXHIBITS FOR THEIR PRIMA FACIE CASE;
PLAINTIFFS' PROPOSED POINTS OF LAW;
PLAINTIFFS' STATEMENT OF FACTUAL ISSUES; and
PLAINTIFFS' PRETRIAL STATEMENT.

Very truly yours,

NEUMAN, WILLIAMS, ANDERSON & OLSON

By

Ted
Theodore W. Anderson

TWA/sjm
Enc.

CC: Algy Tamoshunas, Esq.
Louis Etlinger, Esq./with enc. ✓
James T. Williams, Esq.

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11 Attorneys for Defendant and
Counterclaimant Activision, Inc.

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14 UNITED STATES DISTRICT COURT
15 NORTHERN DISTRICT OF CALIFORNIA

17 THE MAGNAVOX COMPANY, a corpora-) No. C 82 5270 CAL
tion, and SANDERS ASSOCIATES,)
18 INC., a corporation,)
19 Plaintiffs,) PRETRIAL STATEMENT OF
20 vs.) DEFENDANT ACTIVISION, INC.
21 ACTIVISION, INC., a corporation,) Pretrial Conference:
22 Defendant.) December 13, 1984
23)
24 AND RELATED CROSS-ACTION.)

26 Defendant and Counterclaimant Activision, Inc. hereby

1 submits this Pretrial Statement in accordance with Local Rule 235-7.

2 (a) Party.

3 This statement is filed on behalf of Defendant Activision,
4 Inc. ("Activision").

5 (b) Jurisdiction and Venue.

6 Jurisdiction in this action is based on 28 U.S.C.
7 §1338(a). Venue is based on 28 U.S.C. 1391(c).

8 Neither party disputes jurisdiction or venue.

9 (c) Substance of the Action.

10 Activision is a California corporation based in Mountain
11 View that designs and manufactures a wide variety of video game
12 cartridges. These game cartridges, in combination with a licensed
13 control unit (which Activision does not manufacture, and which is
14 sold with another game cartridge), can be played at home on the
15 user's television set. The video game cartridge sold with the
16 licensed control units and the game cartridges sold by Activision
17 are interchangeable, although each cartridge contains a different
18 video game. Activision has been sued for allegedly infringing U.S.
19 Patent Re. 28,507 (the "507 patent" or the "Rusch 2 patent"), owned
20 by Defendant Sanders Associates, Inc. and licensed to The Magnavox
21 Company (hereinafter referred to jointly as "Magnavox"). This
22 patent neither mentions nor contemplates anything even resembling
23 the video game cartridges which Activision designs and manufactures.

24 Magnavox is the exclusive licensee of two patents owned by
25 Sanders Associates, Inc. which are relevant to this lawsuit: U.S.
26 Patent 3,728,480, for which the original application was filed on

1 January 15, 1968 (the "Baer 1 patent");^{1/} and the '507 or Rusch 2
2 patent described above, for which the original application was filed
3 on May 27, 1969. The same two men--Baer and Rusch--worked together
4 on the project that led to these patents, and each takes credit for
5 one "invention." Magnavox has filed suit against Activision only
6 for allegedly infringing the Rusch 2 patent, but in reality the two
7 patents are virtually the same. For that reason, Activision coun-
8 terclaimed for declaratory judgment on the Baer 1 patent.^{2/} Each
9 patent purports to describe a system for playing games on a tele-
10 vision display by generating dots, getting the dots to move and
11 "hit" each other, detecting coincidence of the dots, and altering
12 one of the dots in response to coincidence. Magnavox argues that
13 the Rusch 2 patent includes the further "invention" of "imparting a
14 distinct motion" to the "hit" symbol upon coincidence with the
15 "hitting" symbol.

16 Since the time this lawsuit was filed, the Primary
17 Examiner in the Patent and Trademark Office has found that as to the
18

19 ^{1/} Because the two patents are so similar in both content and
20 the general time frame in which they were first sought, we have
21 called the 1968 application Baer 1 and the mid-1969 application
22 Rusch 2. The numbers "1" and "2" are used herein solely as an aid
to understanding of sequence and they have no relevance to the
numbers system employed by the U.S. Patent and Trademark Office.

23 ^{2/} Activision has since dropped its counterclaim for declara-
24 tory judgment on the Baer 1 patent, in consideration for Magnavox'
25 covenant that it would not sue Activision, its successors, agents or
26 assigns for alleged infringement of the Baer 1 patent. See Stipu-
lation Re Dismissal of Activision's Second Counterclaim; Stipulation
of the Parties Re Covenant Not to Sue for Alleged Infringement of
U.S. Patent 3,728,480, filed with the Court on October 29, 1984 and
October 30, 1984, respectively.

1 relevant claims therein, the Baer 1 patent was substantially
2 invalid.^{3/} Moreover, Magnavox has covenanted that it will not
3 bring suit against Activision at any time for any alleged infringe-
4 ment of the Baer 1 patent.^{4/} Despite these facts, and the two
5 patents' similarity, Magnavox in this action continues to act as if
6 the virtually identical Rusch 2 patent is unaffected by this Patent
7 and Trademark Office determination.

8 Activision contends that the Rusch 2 patent is both in-
9 valid and not infringed by the Activision cartridges which are
10 neither described nor even contemplated by the Rusch 2 patent.^{5/}
11 Activision's claim of invalidity is based on two central elements:
12 (1) the Baer 1 patent (now declared substantially invalid) is prior
13 art^{6/} as to the Rusch 2 patent, or in any event was known to
14 Rusch, who cannot claim he invented it; (2) other prior art existed
15

16 ^{3/} This determination was made in the course of "reissue
17 proceedings" in the Patent and Trademark Office, where 78 claims out
18 of 96 submitted were rejected.

19 ^{4/} See Stipulation of the Parties Re Covenant Not to Sue for
20 Alleged Infringement of U.S. Patent 3,728,480, filed with the Court
21 on October 30, 1984.

22 ^{5/} Activision is not aware of any manufacturer of software
23 only who has been willing to accede to Magnavox' demands and pur-
24 chase a license. Unlicensed software manufacturers include Parker
25 Brothers, Broderbund, Synapse, Epyx, Sierra, Electronic Arts,
26 Spinnaker, and CBS. Also unlicensed are most makers of home com-
puters which play video games, including IBM, Apple and Commodore.

^{6/} As we more fully describe in the Pretrial Statements of
Activision, Inc. Regarding Disputed and Undisputed Points of Laws,
filed herewith, the existence of "prior art" or pre-existing
knowledge precludes the issuance of a patent or invalidates an
already existing patent, such as the Baer 1 or Rusch 2 patent. See
35 U.S.C. §§102, 103.

1 which anticipated and made obvious the claimed invention of the
2 Rusch 2 patent.

3 Activision's claim of noninfringement is based on the
4 facts that (1) the microprocessor and cartridge technology that
5 forms the basis of Activision's cartridges is not disclosed by nor
6 is it the equivalent of the Rusch patent; (2) there is no direct
7 infringement by the owner of licensed master consoles when Acti-
8 vision's cartridges are played on licensed master consoles;
9 (3) there is no contributory infringement because the Activision
10 cartridges are additions or adaptations to the licensed video game
11 system, not a substitute used to "reconstruct" the licensed video
12 game system.

13 Further, Activision designs and manufactures a wide
14 variety of cartridges and home computer cartridges and disks which
15 are not contended by Magnavox to have infringed the Rusch patent,
16 apparently because the "bouncing" effect^{7/} which is claimed to be
17

18 7/ As defined by Plaintiffs in the process of applying for
19 the Rusch 2 patent, their relevant claims "teach" generation on a
20 cathode ray tube of a hitting spot (paddle, hand, hockeystick) and a
21 hit spot (ball, puck), and means for ascertaining coincidence
22 (apparent touching) of the two spots. Upon coincidence, motion is
23 imparted to the hit spot in a direction and with a velocity
24 proportional to the direction and velocity of the hitting spot.
25 Additionally, Plaintiffs claim to "teach" moving continually a hit
26 spot horizontally from one side of the screen to the other (either
from left to right or right to left), until the spot is hit by a
"hitting" spot, at which point the motion of the "hit" spot is
reversed. This movement describes, for example, the motion of a
tennis ball after service, until hit by the other player's tennis
racket. Activision will refer to this motion as "bounce" or
"imparting a distinct motion" in this pretrial statement.

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1 an infringement of the Rusch patent is absent from these games.^{8/}
2 Activision will show that "bounce" is nonexistent, imperceptible or
3 very incidental in at least nine of the 13 games which are claimed
4 to be infringing.

5 Magnavox contends that the Rusch patent is valid and that
6 13 of Activision's cartridges in various manners constitute contrib-
7 utory infringement of the Rusch patent.

8 (d) Undisputed Facts.

9 Activision mailed by Federal Express proposed fact stipu-
10 lations to Magnavox on November 20, 1984, and received responses
11 from Magnavox on November 30, 1984. On November 30, 1984, Acti-
12 vision also received Magnavox' proposed stipulations which, to the
13 extent possible, Activision has reviewed and incorporated into the
14 list of undisputed facts. See Pretrial Statement of Activision,
15 Inc. Regarding Undisputed Facts, filed herewith. Activision antici-
16 pates that further efforts to stipulate will be made before the
17 pretrial conference.

18 (e) Disputed Factual Issues.

19 See Pretrial Statement of Activision, Inc. Regarding
20 Disputed Factual Issues, filed herewith.

21
22 ^{8/} These Activision games include "Dragster," "Checkers,"
23 "Skiing," "Bridge," "Laser Blast," "Freeway," "Kaboom!," "Chopper
24 Command," "Starmaster," "Pitfall," "Mega Mania," "River Raid,"
25 "Spider Fighter," "Sequest," "Oink!," "Happy Trails," "Plaque
26 Attack," "Crackpots," "Dreadnaught Factor," "Pitfall II,"
"Beamrider," "Worm Whomper," "Frostbite," "Space Shuttle," "Private
Eye," "H.E.R.O.," "Decathlon" (for home computer), "Robot Tank,"
"Toy Bizarre," "Zenji," "Zone Ranger," "Park Patrol," "Designer's
Pencil," "Ghostbusters," "Past Finder."

1 (f) Relief Prayed.

2 Magnavox seeks preliminary and permanent injunctions
3 against Activision's alleged continued infringement of the Rusch 2
4 patent, as well as damages for past infringement. Activision seeks
5 a declaratory judgment that the Rusch 2 patent is invalid, void and
6 unenforceable. The parties stipulated in open court on
7 September 13, 1984 to bifurcate the issue of damages from the issue
8 of liability as is standard practice in patent infringement
9 litigation. See (p) infra.

10 (g) Points of Law.

11 See Pretrial Statements of Activision, Inc. Regarding
12 Disputed and Undisputed Points of Law, filed herewith.

13 (h) Previous Motions.

14 Date Motion Made	Motion	Result	Date Order Issued
16 11/17/82	Plaintiffs' Motion to Dismiss Second Counterclaim	Denied	2/7/83
18 1/24/88	Plaintiffs' Motion to Disqualify Defendant's Counsel	Denied	4/11/83
20 2/15/83	Plaintiffs' Motion for Reconsideration of Their Motion to Dismiss Second Counterclaim	Denied	2/18/83
22 5/19/83	Plaintiffs' Motion for Corrected Findings of Fact and Reconsidera- tion of Motion to Disqualify Counsel	Denied	6/13/83
24 4/12/84	Defendant's Motion for Order Compelling Discovery	Granted	5/11/84
26 //			

1	8/24/84	Defendant's Motion for Order Compelling Further Answers to Interrogatories	Motion Withdrawn when Plaintiffs' Answered Volun- tarily	
2				
3				
4				
5	8/30/84	Plaintiffs' Motion to Compel Responses to Interrogatories	Granted as to Interrogatory #9 (disclosure of expert witnesses) (Magnavox required to make same disclosure to Activision)	10/4/84
6				
7				
8				
9				
10	8/31/84	Defendant's Motion to Continue Trial Date	Granted	10/1/84
11				

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(i) Witnesses to be Called.

The list of witnesses below assumes that the parties will be successful in reaching reasonable stipulations regarding the authenticity of documents. However, if this does not occur, Activision may have to expand its list of witnesses to include individuals who can authenticate certain of Activision's documentary evidence.

All numbers below refer to paragraphs in the Pretrial Statement of Activision, Inc. Regarding Disputed Facts, filed herewith, about which each witness will testify.

<u>WITNESS</u>	<u>PARAGRAPHS</u>
1. Ralph Baer: Sanders Associates' employee.	18, 21-26, 30-34, 36, 37, 40-42, 44-50, 65, 67, 68
2. Thomas Briody: North American Phillips' employee	35, 48, 57, 58, 67, 69, 70, 73
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- | | | |
|----|---|---|
| 1 | 3. Steve Cartwright: Activision video game designer | 62-66 |
| 2 | | |
| 3 | 4. David Crane: Activision video game designer | 51-56, 60, 62, 63, 66, 68, 74 |
| 4 | | |
| 5 | 5. Louis Etlinger: Sanders Associates' employee | 27-29, 35, 45, 48, 57, 58, 69, 70, 73 |
| 6 | | |
| 7 | 6. William Harrison: Sanders Associates' employee | 18, 20, 21, 24-26, 30-34, 40, 41, 47, 49, 50 |
| 8 | | |
| 9 | 7. Dr. William Higinbotham: Scientist, Brookhaven National Laboratories | 2, 3 |
| 10 | | |
| 11 | 8. Matthew Hubbard: Activision video game designer | 62, 66 |
| 12 | | |
| 13 | 9. Garry Kitchen: Activision video game designer | 62, 66 |
| 14 | | |
| 15 | 10. Alan Kotok: Co-designer of video game "Space War" | 4-6 |
| 16 | | |
| 17 | 11. Jim Lawrence: NASA video simulation designer | 9-14 |
| 18 | | |
| 19 | 12. Richard Lehrburg: Video game marketing and merchandising | 57-59, 68, 70, 74 |
| 20 | | |
| 21 | 13. Jim Levy: President of Activision | 51-60, 67, 74 |
| 22 | | |
| 23 | 14. Thomas Lopez: Video game marketing and merchandising | 57-59, 68, 74 |
| 24 | | |
| 25 | 15. Alan Miller: Activision video game designer | 62, 66 |
| 26 | | |
| 27 | 16. Larry Miller: Activision video game designer | 62, 66 |
| 28 | | |
| 29 | 17. Sam Nelson: Activision employee | 60, 62, 66 |
| 30 | | |
| 31 | 18. William Rusch: Sanders Associates' employee | 23-34, 36, 37, 40, 41, 45, 47, 49, 50, 65, 67, 68 |
| 32 | | |
| 33 | 19. Steven Russell: Co-designer of video game "Space War" | 4-6 |
| 34 | | |
| 35 | // | |

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- 1 20. Dr. Richard Shoup: Expert witness 1-17, 19, 21, 22, 31-34,
2 38, 39, 42, 47, 49, 53, 54,
61-66
- 3 21. Jim Smith: NASA video simulation 9-14
4 designer
- 5 22. Charles Thacker: Expert witness 1-17, 19, 21, 22, 31-34,
6 38, 39, 42, 47, 49, 53, 54,
61-66
- 7 23. Jim Van Artsdalen: NASA video 9-14
8 simulation designer
- 9 24. Bob Whitehead: Activision video game 62-66
10 designer

11 (j) Exhibits, Schedules and Summaries.

12 See Pretrial Statement of Activision, Inc. Regarding
13 Exhibits, Schedules and Summaries, filed herewith.

14 (k) Further Discovery or Motions.

15 There is no further discovery to be done, nor are there
16 any motions pending.

17 (l) Stipulations.

18 The parties are attempting to stipulate regarding the use
19 in this action of certain prior deposition and trial testimony and
20 expect to reach a broad stipulation concerning authenticity of
21 documents.

22 (m) Amendments, Dismissals.

23 The parties have entered into the following stipulations
24 regarding amendments to pleadings or dismissals of claims or
25 defenses, all of which have been filed with the Court:

- 26 1. Magnavox covenanted it will not sue Activision,
its successors, agents or assigns, based on the ground that the

1 an agreed statement of facts, although efforts will be made to
2 stipulate to as many facts as possible.

3 (p) Bifurcation.

4 The parties agreed at the Status Conference held on
5 September 13, 1984, that the trial of liability and damages, if any,
6 should be bifurcated.

7 (q) Reference to Master or Magistrate.

8 The parties do not wish to refer all or part of the action
9 to a magistrate or master.

10 (r) Appointment and Limitation of Experts.

11 The parties do not wish the court to appoint an impartial
12 expert, nor does Activision believe there should be any limitation
13 of the number of expert witnesses.

14 (s) Trial.

15 The trial is presently set to begin on January 14, 1985,
16 and continue for three successive weeks, assuming four-day trial
17 weeks. This is not a jury trial.

18 (t) Estimate of Trial Time.

19 Activision estimates that it will require 7-8 court days
20 to present its case; Magnavox estimated previously that it would
21 require 4-5 court days to present its case.

22 (u) Claim of Privilege or Work Product.

23 No matters otherwise required to be stated by this Rule
24 are claimed to be covered by the work product or other privilege.

25 //

26 //

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1 PROOF OF SERVICE

2 I, MARIE SPIEGL, declare as follows:

3 1. I am a resident of the City and County of San
4 Francisco, over the age of eighteen years and not a party to
5 the within action. My business address is Three Embarcadero
6 Center, Suite 700, San Francisco, California.

7 2. On December 3, 1984 I served the following
8 document: PRETRIAL STATEMENT OF DEFENDANT ACTIVISION, INC. as
9 follows:

10 By FEDERAL EXPRESS, a true and correct copy in a
11 sealed envelope addressed as follows:

12 James T. Williams, Esq.
13 NEUMAN, WILLIAMS, ANDERSON & OLSON
14 77 W. Washington Street
Chicago, IL 60602

15 By HAND DELIVERY, by causing a true and correct
16 copy to be personally delivered addressed as follows:

17 Robert L. Ebe, Esq.
18 McCUTCHEN, DOYLE, BROWN & ENERSEN
19 3 Embarcadero Center
Twenty-eighth Floor
San Francisco, CA 94111

20 I declare under penalty of perjury that the foregoing
21 is true and correct.

22 Executed this 3rd day of December 1984 at San
23 Francisco, California.

24 
25 MARIE SPIEGL
26

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ROBERTSON
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